



how to spend it is the game up for Russia's new kleptocracy?



Moscow's middle classes make their last trip to market

# FT

## FINANCIAL TIMES

SEPTEMBER 5 / SEPTEMBER 6 1998



Go now Bill, before you are laughed out of office



Why half-naked Europeans fly to New York with empty suitcases

## Clinton says 'sorry' publicly for his affair with Lewinsky

By Stephen Feller in Dublin and Mark Szymanski in Washington

US President Bill Clinton, yesterday publicly uttered the word he had so far avoided when speaking of his affair with Monica Lewinsky: Sorry.

Mr Clinton, in Dublin for a meeting with Bertie Ahern, the Irish prime minister, was smarting from sharp criticism by a respected fellow Democrat in the Senate on Thursday night.

Senator Joseph Lieberman of Connecticut, criticised the president for underestimating the moral dimension of his behaviour. "Such behaviour is not only inappropriate; it is immoral."

Mr Clinton said: "There's nothing that he or anyone else could say in a personally critical way that I don't imagine I would disagree with since I've already said it to myself. And I'm very sorry about it." He said he had been briefed on Sen Lieberman's remarks "and basically I agree with what he said. I've already said that I made a bad mistake, it was indefensible and I'm sorry about it."

Mr Clinton first openly admitting an "inappropriate" relationship with the former White House intern on August 17, telling television viewers he regretted it. In Moscow on Wednesday, in his first press conference since then, he said he had asked for forgiveness. Yesterday he told journalists he was very sorry.

Sen Lieberman said Mr Clinton had jeopardised his administration's accomplishments, compromised his moral authority, damaged his credibility and complicated the efforts of parents

to instil values in their children. The administration is clearly worried that the senator's remarks will trigger a landslide of criticism from the president's own party and thwart its efforts to push through important legislation in the coming months.

Mike McCurry, the president's spokesman, said the president had discussed the remarks with him before he made them, suggesting that the more apologetic tone was no accident. He said Erskine Bowles, the White House chief of staff, had intervened with Sen Lieberman in an attempt to delay his remarks until the president returned to US soil over the weekend.

It was not immediately clear that Mr Clinton's conciliatory stance would stave off growing criticism from political allies. Bob Kerrey, the Democratic senator from Nebraska who is considering a bid for the presidency in 2000, said: "The president has got to go further."

But Mr Clinton's aides took encouragement from the fact that Mr Lieberman said that talk of resignation and impeachment was "unjust and unwise" and stopped short of calling for formal action on the matter.

Although several Republicans have openly called for Mr Clinton's resignation, most members of Congress seem content to wait until Kenneth Starr, the independent counsel investigating allegations of wrongdoing by the president, presents his final report before taking the matter further.

Clinton to lobby for IMF funds, Page 2  
Clinton in Ireland, Page 5  
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Chernomyrdin: warned prices would rise further and called for an 'economic dictatorship'

Picture: AP

## Chernomyrdin hints at tight controls to protect rouble

By Chrystie Freeland in Moscow

Victor Chernomyrdin, Russia's acting prime minister, yesterday hinted at introducing a currency board to stop the economic crisis which has pushed the rouble to new lows and already triggered a jump in inflation. Such a system would set a fixed exchange rate by matching the amount of money in circulation with international reserves.

"We will strictly tie the monetary mass to the gold and foreign reserves of the central bank," Mr Chernomyrdin said, warning that prices would rise further. He added that domestic industry may need to be protected and called for an "economic dictatorship".

That proposal was interpreted by some as pandering to pressure

for a return to Soviet-style controls, but reformers in the government said he was alluding to the strict economic discipline of a currency board system.

Mr Chernomyrdin's hints about such a move came as the battle with parliament over his nomination intensified. His bid to be reconfirmed as premier received a boost yesterday when the Federation Council, the upper house of the Russian parliament, backed his candidacy.

But this represents only moral support; the deciding vote must come from the Duma, the Communist party-dominated lower chamber, which postponed a second ballot on Mr Chernomyrdin from yesterday until Monday.

The conflict between the Kremlin and the Duma over Mr

Chernomyrdin's candidacy has destabilised the government and raised the spectre of the dissolution of parliament or the resignation of President Boris Yeltsin. But it is still possible that the Duma will give its either on Monday or on the third and decisive final vote.

As the political battle rages, the Russian economy is sinking further into crisis. According to official statistics, prices jumped 15 per cent in August, the highest monthly rise since January 1995. The rouble also plunged to an official rate of nearly Rbs 17 against the dollar, compared with a rate of Rbs 6.31 three weeks ago.

Chernomyrdin offers all things to all men, Page 2  
Russia's wrecking ball, Page 7

## Home runs are where the heart is as US turns its back on troubles

By John Authers in New York

Forget tumbling markets, presidential scandals and sickly marketed sports like American football - this weekend the US has resumed its love affair with baseball, and nothing matters more than the number 61.

The number combines history and statistics - baseball's life blood. In the 1927 season, Babe Ruth, the most famous American sportsman yet born, hit 60 home runs - a record which was expected to stand forever.

In 1961, Roger Maris, one of the New York Yankees like Babe Ruth, reached 61. The nation was appalled, and the baseball commissioner ruled that his record was 61, because Maris had more games on his schedule than Ruth.

As this weekend started, Mark "Big Mac" McGwire of the St Louis Cardinals had hit 59 home runs for the season. Sammy Sosa of the Chicago Cubs stood on 66. Both should reach 61 faster than Ruth reached 60, and 62 faster than Maris reached 61.

The nation is spellbound. Huge crowds gather just to watch the massive McGwire take batting practice before the game. The Cardinals sell out stadiums in New York and Pittsburgh which have not sold out in years, even though they have lost more games than they have won this season.

Baseball, which stood unrivaled as the national pastime for most of the century, has been overhauled by the slicker marketing of football and basketball in recent years. But this year's epic shows that neither can match baseball's emotive tug of history.

Television barons are embarrassed. They bid unprecedented

sums to televise professional gridiron football earlier this year. But when the National Football League season starts on Sunday, nobody will notice. Basketball's season may be delayed by a labour dispute - which is ironic considering that it was a strike over wages for baseball in 1994 which had a critical impact in turning fans away.

Disney's ESPN cable network now appears to have made an awful mistake. It won the rights to show football games on Sunday evenings, even though this clashed with their contract to show baseball games at the same time.

So ESPN has sacrificed an opportunity to televise the game in which McGwire could break the record in favour of a meaningless early season football game. Rupert Murdoch's Fox network has snapped up the rights instead.

McGwire, an affable personality, obviously dislikes the attention. In recent weeks, the press has started a debate over his use of a supplement called androstenedione to enhance the effectiveness of his training regime over the last year. Some pharmacists have compared it to anabolic steroids and it is banned at the Olympics and by American football, but not by baseball or basketball.

The controversy has taken some of the shine off McGwire's achievement. But he was a phenomenal hitter long before he started taking the substance, and would probably have beaten the record before now if he had not been plagued by injuries.

If McGwire does take the record - and Sosa himself says that "Mark's the man" - it will certainly not be demeaned by an asterisk.

### News General

#### China Daily criticises Habibie

An official Chinese newspaper yesterday criticised Indonesian president B.J. Habibie for failing to tackle the persecution of his country's ethnic Chinese minority. The China Daily dismissed his claim that police had found no evidence of the rapes of Chinese women during Indonesian riots. Human rights groups and diplomats in Jakarta believe many rapes did occur. Page 3

#### NEC raided in scandal probe

Japanese prosecutors raided the central Tokyo headquarters of NEC in a widening arms procurement scandal. Toyo Communication Equipment, in which NEC holds a big stake, was found to have overcharged the Japanese Defence Agency ¥2.5bn (\$18m) for procurement orders over five years. Page 3

#### Kim set to assume supreme leadership

Kim Jong-il, son of North Korea's founder, will complete his transition to power as the country's supreme leader as early as today when parliament elects him president to coincide with the nation's 50th anniversary. Page 3

#### Fujitsu blames chip glut for UK plant closure

Japanese electronics company Fujitsu blamed global overcapacity in memory microchips for its decision to end semiconductor production in north-east England. The loss of 570 jobs comes on top of a recent closure announcement by Germany's Siemens, which will axe 1,100 staff unless a buyer is found for its plant. Page 5

#### Anwar Ibrahim

Mahatir Mohamed, Malaysia's prime minister, isolated himself from the West this week as he sacked his deputy, Anwar Ibrahim, and attacked his character. But Mr Anwar is striking back. Page 7

### News Business

#### Electronic exchange approved

The Commodity Futures Trading Commission, regulator of America's derivatives exchanges, yesterday approved the creation of the first electronic exchange to trade US Treasury bond futures. Opening on Tuesday, the new exchange is a joint venture between Cantor Fitzgerald, largest broker of US Treasury cash bonds, and the New York Board of Trade. But the approval move has outraged the Chicago Board of Trade, the world's largest futures market. Page 24

#### Japan's steelmakers issue profits warnings

Heavy losses are expected this year at Japan's big five-steelmakers as a result of Asia's weak economies. Their warning, coming on top of this week's collapse of NKK subsidiary Toa Steel, sent steel shares into retreat. Page 24; World stocks, Page 21

#### Rock band poised to sign big PolyGram deal

Irish rock band U2 has struck one of the music industry's most lucrative deals. The three-album agreement with record company PolyGram, due to be signed next week, is expected to earn the band more than \$50m in advances. Page 24

#### European shares rise at end of switchback week

European equity markets moved higher after another volatile week when trade was dominated by the swings of Wall Street and the crisis in emerging markets. The FTSE Eurotop 300 index gained 10.30, or 0.96 per cent, to 1,078.39 while the Paris and Frankfurt bourses both gained more than 1 per cent. Traders said investors were cautious ahead of Street's holiday on Monday and the Russian Duma vote on Victor Chernomyrdin. Dollar's rise, Page 2; Gristly, gristy, Page 6; World stocks, Pages 20 and 21; Currencies, Page 9; Law, Page 24

#### Cooper Industries buys British group

Houston-based lighting group Cooper Industries became the latest US corporate buyer to go bargain hunting in the UK with the cash purchase of British counterpart TLG for \$321m (\$530m). Page 22

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Moldova M\$1.00	Portugal Esc1.00	Romania Lei1.00
Morocco M\$1.00	Romania Lei1.00	Russia Rub1.00
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# WORLD NEWS

YEN BOUNCES UP SHARPLY LUCRATIVE PLAY ON THE INTEREST RATE GAP HALTED BY WORLD FINANCIAL TURMOIL

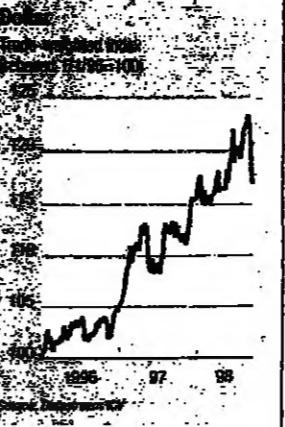
## Dollar's rise may be at an end

By Richard Waters and John Labate in New York

When the US and Japan stepped into the foreign exchange markets to prop up a plunging yen earlier this summer, it was widely viewed as a measure that would work only if Japan took the necessary steps to break out of its economic malaise. Two months later, Japan is still beset by a policy vacuum and the economy remains in a slump. However, that has not stopped the yen from staging a remarkable recovery. A dollar would have bought less than 134 yen yesterday, compared with 148 just three weeks ago - the Japanese currency's strongest showing on the foreign exchanges since May, and the most pronounced bounce since the yen started its slide more than three years ago.

The sharpness of the reversal against the yen largely reflects short-term fallout from the shock that has reverberated around the world's financial system, according to currency analysts and traders. That would suggest that the dollar's decline may be short-lived, and that it could bounce again once calm returns. However, the greenback's slide against the yen has been accompanied over the past week by a marked softening against the D-Mark and other European currencies. Rather than just a technical setback, the currency market is now signalling its belief that the long-term appreciation of the dollar may be coming to an end.

The short-term technical factors behind the currency gyrations stem largely from the large gap between US and Japanese interest rates. For three years, speculators have played that spread by borrowing cheaply in yen, then using the money to buy US stocks and bonds. The low Japanese borrowing costs, rising US financial asset prices and steadily weakening yen were a potent combination. The crisis in the international financial system has interrupted this lucrative game. Many of these risky bets have been reversed - either because cash-strapped speculators needed to raise money to cover losses suffered elsewhere, or because the fear that has returned to the markets has encouraged hedge funds and others to back away from their most risky positions.



Fed to cut rates before the end of the year to reignite economic growth. Lower interest rates and a slowing economy would both stem the demand for the dollar.

## Clinton plans drive for new IMF funds

By Stephen Fidler in Dublin

President Bill Clinton plans to return to Washington from Ireland this weekend and launch a renewed effort to secure additional funding for the International Monetary Fund. White House officials said yesterday.

## Chernomyrdin offers all things to all men

Chrystia Freeland reports on the political goals of a master of obfuscation



Victor Chernomyrdin with Igor Sergeyev, acting defence minister, in parliament yesterday

As he fought to win back his old job as Russian prime minister, Victor Chernomyrdin demonstrated that he is a master of one of the chief political arts - the art of obfuscation. A former Soviet enterprise director, Mr Chernomyrdin is often pigeon-holed as a stolid, inarticulate Soviet-era throwback. But yesterday, in his brief address to the Federation Council, the upper house of the Russian parliament, Mr Chernomyrdin was an agile contortionist, serving up an ambiguous economic speech which offered all things to all people.

For the Communists and nationalists, there were references to "economic dictatorship". For the industrialists there were allusions to trade barriers and a forgiving wave of soft credits. And for the reformers and the International Monetary Fund, there were tantalising hints of tough financial stabilisation and even of imposing the rigid economic discipline of a currency board.

The push will begin today with the president's weekly radio address, aides said. This will concentrate on the health of the US economy and raise the importance of the world economy to the continued well-being of Americans. In this context, the president will argue that new funding for the IMF - now awaiting approval by the House of Representatives - is an important element in securing global economic stability. The importance of the IMF has been further emphasised this week during the president's visit to Moscow, where the intense financial and economic crisis has sent shockwaves through other "emerging" markets, such as Latin America, and even influencing the sharp drop in Wall Street over the past week.

Mr Chernomyrdin has never been known for his straightforwardness, but he exceeded himself today, said Andrei Maronov, director of the Institute for Economic Analysis. "In a short speech he managed to say several contradictory things about economic policy. But his political goal was to win support from the Federation Council and in this he succeeded."

Then, after inflation has swept through the economy for a few weeks or months, the government would impose a still vaguely defined radical financial stabilisation programme, potentially going so far as to appoint a currency board. "My guess is that he [Chernomyrdin] is going to opt for running the printing presses until the end of the year," Rory MacFarquhar, an economist at the Russian European Centre for Economic Policy, predicted. "He will sort out arrears, bail out the banking system, and so forth. And then I think the idea is that starting January 1 there will be a bright capitalist future, complete with a treasury bond arrangement."

James Steinberg, deputy national security adviser, said that IMF funding would be "an important priority" when the president returned home. "I think nothing can make a stronger case than the events of recent days about the importance of having the resources to deal with these situations to give confidence to the international community."

The IMF is expected to vote on the issue before the end of the current congressional session scheduled for October 9, but no date has yet been indicated. It is expected to be a period of intense activity for decisions relating to appropriations. The IMF is estimated to have about \$10bn in available resources and a further \$10bn available under the more cumbersome General Arrangements to Borrow.

Leading Russian businessmen agree that the country is probably doomed to a period of high inflation before it will be able to muster the political will for another painful attempt to stabilise the economy. "What we need now is shock therapy for the political class," argued Konstantin Kagalovsky, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government - no matter who is in it - will be to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

MARKET CONTAGION BRAZIL AND VENEZUELA DOWNGRADED AS RATING AGENCY SHOWS CONCERN AT RISKS TO EMERGING MARKETS

## Moody's warns on Latin America and China

By Edward Luce in London, John Riddington in Hong Kong and James Kyrie in Beijing

In a sweeping action, Moody's Investor Services, the credit rating agency, has downgraded both Brazil and Venezuela and warned that global market contagion could also engulf China, Hong Kong, Mexico and Argentina. The move, which follows one of the most turbulent 10 days in the recent history of emerging markets, is the latest evidence of mounting

concerns that Latin America and China could be the next financial dominoes to fall. The agency, which downgraded Brazil and Venezuela by one notch to B2, warned that Mexico and others were "vulnerable to further tightening in international liquidity and susceptible to contagion effects" of the global flight to safety by investors. This was in spite of Mexico's impressive economic reforms in the last three years and its improved economic fundamentals. Moody's and Standard and

Poor's came in for widespread criticism last year for failing to foresee the Asian financial crisis. Since then, both agencies have downgraded the sovereign ratings of a number of emerging markets both in Asia and elsewhere. "These rating downgrades will make it harder for Latin America to cope with the crisis," said Arpan Banerjee, director of Foreign & Colonial in London. "But, after being bitten in Asia, the agencies must be seen to be pro-active this time."

Moody's review of Hong Kong's A3 and Prime-3 foreign currency ratings and also the ratings of its leading banks, follows this week's decision by Standard & Poor's, its US rival, to cut the territory's long-term currency rating from A+ to A.

Like S&P, Moody's expressed concerns about the government's decision to intervene in the stock market in its battle with currency speculators. "The foreign assets of the Hong Kong government are likely to have experienced a significant drop in the past

few weeks" as a result of intervention by the Hong Kong Monetary Authority, said Moody's. "Interventions in the future could weaken the foreign asset position further."

Moody's also said it had placed on review for a possible downgrade China's rating for its long-term and short-term foreign currency debt. It said that the review was prompted by mounting pressures on China's external position from export weakness and declining foreign direct investment.

GLOBAL LIBERALISATION CALL FOR EARLY WTO MEMBERSHIP FOR CHINA AND RUSSIA

## Ruggiero highlights role of trade

By Guy de Jonquieres

Further steps must be taken quickly to free international trade, to enable Asia to recover from economic crisis and reduce the risk of world-wide recession, Renato Ruggiero, head of the World Trade Organisation, said yesterday. Noting that exports accounted for a quarter of world economic output, he said: "Unless we not only safeguard this achievement, but improve on it, there cannot be any recovery... we have to establish further liberalisation efforts."

Mr Ruggiero said recent economic turmoil made more urgent the WTO entry of China, Russia and other applicants. He planned to discuss with WTO members this month how negotiations on these countries' admission could be accelerated. Despite Asia's economic difficulties, there were "encouraging signs" that governments were not reverting to protectionism and, in several cases, were reaffirming their commitment to multilateral trade principles. Mahathir Mohamad, Malaysia's prime minister, who last week imposed capital controls, had pledged to respect WTO rules, while Indonesia had opened its market for some food imports. In Latin America, Brazil's trade minister had promised not to erect new trade barriers, and Chile's parliament had recently

approved tariff cuts. Mr Ruggiero praised the US and the European Union for tolerating big rises in volumes of imports from - and sharp falls in exports to - troubled Asian economies so far this year. However, global trade liberalisation must be given renewed momentum. "We have to increase the chances of a recovery and decrease the possibility of a recession by keeping and increasing trade flows," he said. "The first measure to fight against recession is to improve the present state of liberalisation."



Ruggiero: 'encouraging signs'

Mr Ruggiero stopped short of calling for another comprehensive round of world trade negotiations, as proposed by the EU, with backing from Japan, Australia, Singapore and several other countries. But he said debate about the idea - about which the US is unenthusiastic - was "more a problem of semantics and political presentation than a real issue."

## NEWS DIGEST

### MANUFACTURING HIT BY ASIAN CRISIS

#### Rate of growth in US employment slows

US job growth slowed last month, and the number of unemployed remained essentially unchanged at 6.2m, or 4.5 per cent, the US Labour Department reported yesterday. Payrolls jumped by 365,000, from July but an estimated 117,000 of those jobs comprised General Motors workers returning from a strike. Private sector jobs - excluding manufacturing - rose by 213,000, a slight weakening from previous months. Manufacturing is clearly suffering from the Asia crisis. Excluding the GM effect employment in the sector has declined by 105,000 in the last two months. James Paulsen of Minneapolis-based Norwest Investment Management said payrolls would continue to slow over the next six months, and like many US economists, he called on the Federal Reserve to lower short-term interest rates. In the meantime, he said, the bond market had taken leadership from the Fed and begun to cut long-term rates. On the brighter side, the stock market slump has lowered the dollar and stabilised commodity prices. "This gives people that sense that we are not in a deflationary abyss," he said. Nancy Dunne, Washington

### EXPOSURE TO RUSSIA

#### Latvian bank likely to fail

A small Latvian bank which suffered a liquidity crisis after the extent of its exposure to Russia was made public may become the first foreign bank to go bust as a result. The problems of Kapital Banka, Latvia's ninth largest bank, emerged as the Standard & Poor's rating agency warned yesterday that Latvia's banks were the most vulnerable of any former Soviet republic to the Russian turmoil. Kapital Banka, with assets of Lats 68m (\$112m), is said to have large holdings of both short-term Russian government GKO treasury bills and dollar-denominated bonds issued by Russian commercial banks. "Approximately half of the bank's assets were invested in Russia," said Janis Placis, deputy head of the supervision department at the Latvian central bank. According to central bank figures, up to 8 per cent of Latvian bank assets are invested in the Russian market. Short-term GKO treasury bills account for 3.5 per cent of the banking system's assets, or about Lats 70m. Kapital Banka was closed by the central bank after a run on deposits. A court is expected to rule soon on whether it is insolvent. Analysts said the central bank was unlikely to back re-capitalisation. Mortejs Vipotnik and Clay Harris

### ECUADOR REFORM

#### Central bankers shortlisted

Ecuador's congress has ratified a presidential shortlist for the new board of the central bank, which is in charge of monetary policy. Luis Jacone, a well known economist and academic close to President Jamil Mahuad, is expected to be elected president of the board, which will then appoint a central bank manager from outside the board. The appointment of the board, staffed mainly by technocrats, follows constitutional reform earlier this year aimed at increasing the central bank's independence from the executive and financial sector. Justine Newsome, Quito

### TRIBUNAL FOR RWANDA

#### Ex-PM jailed for life

The UN international tribunal for Rwanda yesterday sentenced the former prime minister, Jean Kambanda, to life imprisonment for his role in the country's 1994 genocide, despite his voluntary admission of guilt in May. Senegalese Presiding Judge Laiti Kama dismissed calls by Mr Kambanda's defence for a two-year sentence, arguing that his seniority and voluntary participation in the crimes "negated the mitigating circumstances". Mr Kambanda is the first man ever to be sentenced for genocide, 50 years after the concept was invented. The Hutu extremist and former bank director admitted earlier this year to inciting the slaughter of up to a million Tutsis and moderate Hutus after he became the country's provisional prime minister in April 1994, but also condemned the massacres. His defence said the plea demonstrated Mr Kambanda's remorse, and argued that he was a "mere puppet" trapped by circumstances. The sentence comes one day after the Ausha-based tribunal found former mayor Jean-Paul Akayesu guilty of genocide, the world's first conviction for the crime. Mark Turner, Nairobi

### GERMAN TRUCK GROUP

#### MAN denies using prisoners

MAN, the German industrial and trucks group, yesterday rejected claims it had employed prisoners from concentration camps in the second world war, but left unclear whether it had used slave labour. Earlier this week, US lawyers filed lawsuits against a number of large German corporations, including Daimler-Benz, BMW, Siemens and MAN, directed at seeking compensation for surviving slave labourers and their relatives. The Munich-based group insisted it had not employed prisoners from concentration camps. MAN said Otto Meyer, managing director at the time, successfully resisted pressure to employ concentration camp prisoners in his factories, partly because his own family had suffered from Nazi persecution. "This allows the conclusion that MAN has falsely been included among the firms that are involved in this issue," the company said. However, a company spokesman was unable to say whether other forced labour had worked in its plants. MAN said it would re-examine its pre-1945 files and would, if necessary, include independent researchers in the investigation. Tobias Buck, Bonn

### SOUTH KOREA

#### Government gains majority

The South Korean coalition government of Kim Dae-jung yesterday succeeded in gaining a slim parliamentary majority after an opposition MP defected to the ruling party. The government, which has complained of parliamentary opposition to its economic reform programme, now has 147 seats against 146 for the opposition in the 299-member National Assembly. More defections are expected to give the government an absolute majority. A parliamentary stalemate had prevented the government from passing economic reforms, including easing restrictions on foreign investments and providing more benefits to unemployed workers. The National Assembly only recently confirmed Mr Kim's choice of prime minister, nearly six months after it was made. The next parliament is scheduled to be elected in 2000. John Burton, Seoul

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## China assails Habibie over persecution of Chinese

By James Kyrie in Beijing and Sander Thomas in Jakarta

An official Chinese newspaper yesterday criticised B.J. Habibie, the Indonesian president, for doing nothing to ease the persecution of his country's ethnic Chinese minority.

The China Daily newspaper said that Mr Habibie had been irresponsible in appealing recently for people to be "realistic and fair" over reports of the widespread rape of ethnic Chinese women in Indonesian riots.

The newspaper dismissed Mr Habibie's explanation that police investigations had not found evidence of a single rape. Human rights groups have reported that more than 100 women, mostly ethnic Chinese, were raped during the rioting in the aftermath of the 1997-98 Asian financial crisis.

"With their unhealed wounds still bleeding, ethnic Chinese now have to endure their president's irresponsible words. Is this fair?" the China Daily editorial said.

"Under the country's racially based government policies, ethnic Chinese have been regular victims of... instability," it added. "Life for Indonesian Chinese has not become easier since Habibie took office because the administration has so far made no effort to adjust those policies."

Such direct Chinese criticism is rare, especially because it is directed at a government's handling of its own citizens. A central tenet of Beijing's statecraft calls for no interference in the internal affairs of another country - a principle often cited by China in protest at foreign governments' com-

ments on its policies in Tibet and other ethnic minority areas.

Analysts in Beijing said that China might have been compelled to make a statement on the treatment of Indonesia's ethnic Chinese by an influential lobby of overseas Chinese and by pressure from some groups such as student activists within China. Overseas Chinese, emotionally referred to as "descendants of the dragon", are crucial investors in China's economy.

The criticism of Mr Habibie does, however, raise the sensitive question of how much responsibility Beijing feels for ethnic Chinese living beyond its borders. In many south-east Asian countries, the harmony between economically powerful ethnic Chinese minorities and the majority race is fragile.

A Taiwanese official last month cited the public outcry over the Indonesian riots as grounds for suspending delivery of 200,000 tons of rice part of an international aid effort to ward off starvation in parts of Indonesia. China has pledged \$500m through the International Monetary Fund to alleviate Indonesia's economic crisis but has not suggested that this aid could be cancelled.

Thousands of Chinese fled abroad and took their money with them when riots hit Jakarta and other big cities in May, leaving 1,200 dead. Human rights activists representing victims of these riots sued the government for Rp25,000bn (\$4.7bn) earlier this week and demanded a public apology for failing to protect its citizens. Mr Habibie has apologised but his government has become increasingly dismissive of reports that more than 100 Chinese women were raped during the mayhem.

ARMS PROCUREMENT EMBARRASSMENT FOR COMPANY AS SHARES PLUNGE □ SECOND DEFENCE AGENCY OFFICIAL ARRESTED

## Prosecutors raid NEC Tokyo headquarters

By Michio Nakamoto in Tokyo

Japanese prosecutors yesterday raided the headquarters of NEC, one of Japan's leading companies, in a widening arms procurement scandal that has shaken the business establishment.

Toyoko Communication Equipment, in which NEC holds a 33.3 per cent stake, was found to have overcharged the Japanese Defence Agency ¥2.5bn (\$18m) for procurement orders over five years.

Hideo Arai, a former NEC cost-accounting expert for defence equipment, was arrested on Thursday in connection with the widening procurement scandal.

"We are not involved in anything. Although Arai was an employee of NEC, [the procurement scandal]

has nothing to do with NEC," said a company representative.

The defence agency was also thrown into more turmoil yesterday as prosecutors arrested another former high-ranking official.

Masuo Morotomi, former director-general of the defence agency's defence facilities administration agency, was arrested on charges of breach of trust. He is believed to have been responsible for Toyoko Communication being allowed to reduce its refund to the agency. Mr Morotomi retired from the agency a couple of years ago.

NEC's shares yesterday plunged to a three-year low of ¥949, or 5.4 per cent down, in heavy trading on news of the raid. About 80 officials from the Tokyo Public Prosecutor's office filed into



Prosecutors walk into NEC headquarters building in Tokyo yesterday

Reuters

NEC's imposing glass and steel tower in central Tokyo and searched almost every department in the corporate headquarters.

The raid comes as a blow to NEC, which has a sizeable defence business. The company forecasts defence-related sales of ¥100bn out

of forecast consolidated sales of ¥510bn.

The raid is also a severe embarrassment to NEC, a blue-chip company with

long-established ties to Japanese government bodies. NEC's chairman, Tadahiro Sekimoto, is chairman of the board of councillors of Japan's powerful business federation, the Keidanren.

Defence agency officials are believed to have conspired with Toyoko officials to reduce the amount to be returned to the agency. Instead of the originally calculated ¥2.5bn, Toyoko was permitted to repay just ¥84m, resulting in a loss of ¥1.6bn for the government.

Mr Arai is believed to have assisted Toyoko in calculating the amount Toyoko would repay the agency.

Prosecutors have already arrested the chairman of Toyoko, another Toyoko employee and a former deputy head of the defence agency's procurement division.

## Banks seek to rescue their ringgit deals

By Clay Harris and Richard Adams

Malaysia's hope of repatriating more than US\$6bn worth of its currency could be thwarted by the plan drawn up by international banks to settle their ringgit deals before tough new capital controls take effect next week.

Although up to \$25bn (US\$6.57bn) of transactions are outstanding, banks intend to "net off" their ringgit obligations and convert them into dollars. One banker involved in emergency talks in Singapore said the net figure could be as low as 10 per cent.

Settlement guidelines were drawn up this week by the Singapore Foreign Exchange Market Committee, which includes the Monetary Authority of Singapore - the country's central bank - and market participants. Representatives of 32 banks and money brokers, including leading institutions from the US, Europe and Asia, took

part in discussions. The informal guidelines use an exchange rate of M4 to the US dollar, compared with the M3-80 rate announced by Bank Negara, Malaysia's central bank.

The recommendation to net off outstanding contracts has not been accepted by all banks. A senior official at a European bank said a "punch-up" was under way between Singapore banks, thought to benefit most, and overseas banks in Singapore.

"The Singapore banks have the advantage, and have taken the numbers in their favour," he said. Singapore banks are thought to be more likely to have bought ringgits on forward contracts, so the guidelines could give an escape route. Overseas banks are more likely to have sold ringgits.

In spite of these differences, banks are under pressure to act quickly, before new controls take effect next Wednesday. Bank Negara yesterday said outstanding ringgit-denominated trade

contracts could be settled after next week, subject to approval by the Malaysian party's bank. It also said companies operating within Malaysia's Multimedia Super Corridor - a planned high-technology centre south of Kuala Lumpur - would be exempted from foreign exchange controls.

The Stock Exchange of Singapore said it would stop trading Malaysian shares over the counter, saying the new regulations made it "impractical" to continue.

Sheila McNulty in Kuala Lumpur writes: Anwar Ibrahim, the sacked deputy prime minister and finance minister, said he would go on a nationwide tour to argue that he had been targeted as part of a high-level political conspiracy.

He has been accused of several misdeeds which are being investigated by police, but no formal charges have been brought. Mr Anwar said: "People are getting sick and tired of the manner in which we've been repressed."

## US looks to Miyazawa for clues to economy

By Gillian Triggs in Tokyo and Christopher Perkins in San Francisco

The US hoped to glean clues on how Japan plans to revive its economy at talks yesterday between the two countries' top finance and central banking officials, although neither side expected any co-ordinated efforts to restore confidence to world financial markets.

As signs emerged that Japan was slipping deeper into recession, and political accord on banking reforms remained elusive, Kiichi Miyazawa, Japan's finance minister, arrived in San Francisco for his first official meeting with Robert Rubin, US treasury secretary.

The talks, the first since Mr Miyazawa was appointed in July, were later expected to focus on monetary policy when the two would be joined by Yutaka Yamaguchi, deputy governor of the Bank of Japan and Alan Greenspan, chairman of the Federal Reserve.

Although some Japanese officials have hinted that Mr Miyazawa might discuss the possibility of a co-ordinated cut in interest rates with Mr Rubin, the US side appeared interested only in being briefed on his plans, and offering guidance if asked.

This is consistent with the stern Washington view that much of the current upheaval in world markets sprang from Japan's failure to revive its economy, and that its domestic policies could provide a key to international stability.

The Tokyo central bank's independent policy board, which sets interest rates - stuck at record lows for three years - is due to meet next week when the government is likely to downgrade its forecast for the economy.

Taichi Sakaiya, head of the Economic Planning Agency (EPA), said yesterday that the agency's assessment of the economy would be gloomier than the "very

severe" verdict it reached last month.

"Japan's economy is in dangerous waters," he said. "The current situation has worsened."

The comment suggested Japan's closely watched gross domestic product data for the second quarter of calendar 1998, which the EPA will also release next week, will show a further dip.

Previously published figures have already shown that gross domestic product fell in the last quarter of 1997 and first quarter of 1998, tipping Japan officially into recession.

And these gloomy economic numbers, coupled with a recent wave of poor corporate news, are likely to add to the mounting diplomatic pressure on Japan to produce new initiatives to boost its flagging economy.

Senior Japanese officials played down hopes that Mr Miyazawa would offer any new pledges of tax cuts or bank reforms at his meeting with Mr Rubin.

## N Korea claims satellite launch

By John Burton in Seoul

North Korea yesterday claimed that it had put its first satellite into orbit when it launched a missile over Japan this week.

The statement appeared to be a face-saving attempt by North Korea to defuse an international outcry over the missile launch by claiming that the firing had a scientific, not a military, purpose. Japan has imposed sanctions against North Korea for the missile launch by suspending food aid and charter flights, breaking off diplomatic talks, and postponing financial assistance.

for two nuclear reactors meant to help ease North Korea's energy shortages.

The Japanese actions and growing opposition in the US Congress to aid for North Korea threaten to scupper a 1994 agreement under which Pyongyang agreed to freeze its suspected nuclear weapons programme for economic concessions.

North Korea said foreign "are making a fuss, ignorant of this valuable success of science and technology. They made rash and thoughtless reactions, saying it was ballistic missile test-firing, expressing apprehensions and describing it as a

serious event." North Korea criticised the US and Japan for linking food aid, which it said was a humanitarian issue, to the launch.

South Korea said it was studying North Korea's claim, but it added that the evidence so far suggested that a satellite had not been put in orbit. The defence ministry in Seoul believed North Korea made the claim to avoid US and Japanese sanctions.

The US said the launch was a test firing of North Korea's new two-stage Taepodong-1 ballistic missile, which has a range of 1,200 miles. Tokyo considered the

launch a hostile action since it brings Japan within range of North Korean missiles.

North Korea said it had launched the satellite to mark the nation's 50th anniversary on September 9 and described it as "another success of the self-supporting national economy achieved with 100 per cent, 1,000 per cent [of] our own technology, our own capability".

North Korea said its rocket was launched from North Hamgyong province on the east coast at 12:07pm last Monday and the satellite was put into orbit nearly five minutes later.

## Kim Jong-il takes the last step to become the 'Great Leader'

By John Burton

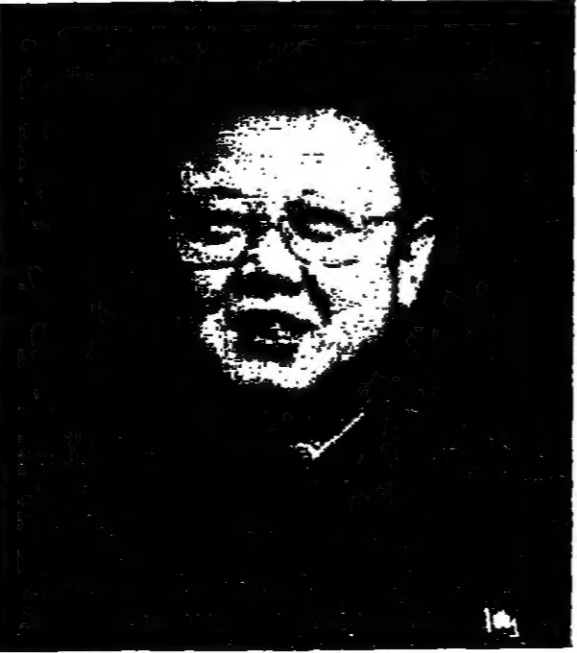
Kim Jong-il will complete his transition to power as North Korea's supreme leader as early as today when parliament convenes to elect him president to coincide with the troubled nation's 50th anniversary.

The enigmatic 56-year-old son of North Korea's founder, Kim Il-sung, has already assumed the country's two most powerful posts as head of the ruling Workers' party and chief of the armed forces. Although the presidential post is largely ceremonial, it seals the succession in what is a modern Confucian monarchy with Communist trappings.

Mr Kim inherits a nation suffering from economic collapse and mass starvation, and one engaged in sabre-rattling after it launched a ballistic missile over Japan this week.

Although there was little doubt that Mr Kim would take the reins of power, the transition has taken four years since his father's death in 1994. He has used that time to ease out the old guard of his father's generation and promoted younger bureaucrats and army officers loyal to him. Two-thirds of parliament, which has not met in four years, consists of new members.

One problem the short and pudgy Mr Kim has faced is that he lacks the charisma of his handsome father, who is



Kim Jong-il eased out the old guard of his father's generation and promoted younger bureaucrats and army officers loyal to him AP

regarded as a demi-god in North Korea. He has used the long transition period to allow the public to get used to the idea of him becoming the new Great Leader. "Kim Jong-il is Kim Il-sung" runs one popular propaganda slogan.

Shy and uncomfortable in crowds, Mr Kim has never delivered a speech in public. Analysts are speculating whether he will break his silence once he is elected president and end his isolation by meeting foreign lead-

ers in his role as head of state.

Although North Korea is short of cash, Mr Kim has borrowed the practices of Louis XIV to spend lavishly on grandiose monuments to enhance his personal prestige. His Versailles is the capital of Pyongyang, a revolutionary Disneyland of parks and monuments that he helped design and rebuild after it was bombed into rubble by the US during the 1950-53 Korean war. He has a sumptuous life-

style to match with a fleet of Mercedes-Benz cars, rich food and the company of female dancers, according to one top South Korean intelligence official.

But analysts believe that behind the image of a disolute playboy lies an intelligent and cruel autocrat who watches CNN and reads the British historian Paul Kennedy as he ponders ways to save North Korea and his own privileged legacy.

Mr Kim has supported limited moves toward economic reform, including approving recent proposals to let South Korean tour groups visit the secretive nation. Free trade zones for foreign investors are being established, while the first signs of grassroots reforms are appearing with farmers allowed to sell in open markets.

But Mr Kim must also appease the powerful military, which regards economic reforms as potentially destabilising. He appears to be trying to solve this dilemma by using military strength, such as this week's missile launch, to intimidate the US into making economic concessions, including the lifting of its trade embargo, considered vital to attracting foreign investment.

It is a risky strategy that Mr Kim is pursuing as he takes full control of North Korea and the international outcry to the missile test suggests it could well end in failure.

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (OTE) AND SUBSIDIARIES				
Condensed Consolidated Financial Statements Prepared under International Accounting Standards as of and for the six months ended June 30, 1998 and 1997 (in millions of Greek Drachmas)				
CONSOLIDATED BALANCE SHEET				
	1998	1997	1998	1997
<b>Assets</b>			<b>Shareholders' Investment &amp; Liabilities</b>	
Intangible assets, net	39,256	14,806	<b>Shareholders' Investment</b>	
Fixed Assets			Share Capital	378,040
Telecommunication Property, Plant and Equipment	1,676,221	1,445,776	Paid in Surplus	239,042
Lease Accumulated Depreciation	(686,257)	(588,131)	Reserves and retained earnings	379,479
	889,964	857,645	Foreign currency translation	(21,608)
Investments	135,519	138,734		973,153
Other non current assets	43,196	38,321	Minority interest	16,841
Deferred income tax benefits	61,606	62,678		16,450
	240,321	239,722	Reserves for staff retirement and other employee benefits	171,472
Current Assets			Other reserves and long-term liabilities	27,911
Cash and cash equivalents	55,443	188,061	Long-term debt	142,307
Accounts receivable	272,638	231,634	Subsidiaries, net of amortization	106,671
Materials and supplies	15,946	9,369		116,720
Other current assets	76,627	79,472	<b>Current Liabilities</b>	
	418,424	498,466	Short term loans	15,758
	1,687,965	1,620,846	Accounts payable	78,660
			Income taxes payable	73,237
			Dividends	15,993
			Other current liabilities	67,962
				100,888
				289,610
				1,687,965
				1,610,846
CONSOLIDATED STATEMENT OF OPERATIONS				
	1998	1997	<b>MOVEMENT IN SHAREHOLDERS' INVESTMENT</b>	
Operating revenues	431,605	374,792	Shareholders' investment, January 1	888,646
Operating expenses	(173,464)	(129,520)	Share capital increase	23,738
	258,141	245,272	Paid in surplus	166,162
Financial, net	(8,184)	429	Net profit for the period	98,016
Other, net	(13,957)	11,436	Foreign currency translation	(21,608)
	(22,141)	(10,991)	Share issuance expenses	(101)
Profit before income taxes	152,368	143,265		888,646
Income taxes	(56,817)	(31,491)	Shareholders' investment, June 30	973,153
Profit after tax	95,551	111,774		888,693
Minority interest	2,463	(312)		
	98,016	111,462		

The major difference between Statutory and IAS financial statements relate to the accounting of staff and other employee benefits, subsidies deferred income taxes and depreciation expense.

Intangible assets, net in the consolidated June 30, 1998 balance sheet includes an amount of approximately Drm. 26 billion which represents goodwill of a consolidated subsidiary.

## INTERNATIONAL

## Parts shortfall forces 10% cut in Iraq oil deals

By Laura Silber  
at the United Nations  
in New York

Iraq is to cut oil contracts by 10 per cent because of delays in receiving spare parts to shore up its oil industry, Benan Sevan, chief of the United Nations oil-for-food programme, said yesterday.

In a briefing to the Security Council, Mr Sevan urged the UN sanctions committee, comprised of the 15 Council members, to stop dragging its feet in approving \$300m for spare parts.

But Bill Richardson, US ambassador to the UN, told

reporters that Washington would continue to block all contracts it considered "frivolous".

The US has been slow to approve contracts for equipment it claims could be used for purposes other than oil industry repairs.

In remarks to the Council on the current phase of the UN humanitarian programme, which runs from May 20 to November 25, Mr Sevan said the Dutch Saybolt consulting company hired by the UN to monitor the export of oil, had informed him of Iraq's decision to reduce oil contracts.

"Although Iraq has increased its production of oil through the first months of the current phase, the oil overseers have advised that Iraq is informing its customers that the reason was 'the

lack of oil spare parts". Under an enhanced UN "oil-for-food" plan, aimed at easing the plight of the Iraqi population hit by eight years of sanctions, the Security Council last February

more than doubled the amount of oil Iraq can export to \$5.2bn every six months in exchange for food and medicine.

But Mr Sevan said the new

He said the "capacity of Iraq had been adversely affected by many years of neglect of the oil fields and pumping stations".

said: "The problem with the oil-for-food programme has not changed."

"Iraq refuses to manage the programme efficiently, refuses to co-operate... continues to use the humanitarian issue as a political weapon."

The US and Britain support the humanitarian programme because it lessens the pressure to lift sanctions.

Washington recently has made clear that sanctions will remain in place indefinitely until Iraq co-operates with the UN mission to dismantle its arsenal of prohibited weapons.

With oil prices low, Iraq's oil revenues will fall far short of the \$5.2bn of oil it can sell. Earlier this week Mr Sevan put the amount at \$2.86bn.

Under the enhanced distribution plan, Mr Sevan said that the UN had managed to increase the daily per capita calorie intake of the Iraqi population to 2,000 per day.

This falls short of the target amount of 2,300 but it represents a significant increase from 1,400 calories per day reported before the oil-for-food programme deliveries began some 18 months ago.

## EU plan for guide to car emissions

By Samer Iskander  
in Brussels

Car dealers across the European Union would be forced to distribute a guide describing the harmful effects of fuel emissions on the environment, under legislation put forward this week by the European Commission.

The initiative by Ritt Herregaard, EU environment commissioner, is reminiscent of the strong-arm tactics introduced in recent years in governments' anti-tobacco campaigns, which resulted in the health warnings now seen on all tobacco products.

It is part of a wider effort by the Commission, the EU's Brussels-based executive, to reduce emissions of greenhouse gases.

If adopted by member states, the legislation would also make it compulsory to attach fuel economy labels to all new cars displayed in showrooms.

The Commission hopes such labels, displaying fuel cost estimates for driving 10,000km, will encourage buyers to switch to more environment-friendly models at the last minute, even if they had already decided which car they wanted.

One example would be a buyer choosing the same model, but with a smaller engine.

"Although many consumers may have strong preferences before entering the showroom... fuel economy information can still have a beneficial impact in terms of reducing average fuel consumption," the Commission said yesterday.

Ms Herregaard believes that by influencing consumers' preferences in favour of more fuel-efficient cars, the initiative would ultimately result in manufacturers marketing more cars of this type. In the EU, passenger cars account for roughly half of the transport sector's emissions of carbon dioxide, one of the main greenhouse gases.

In June 1996, EU environment ministers set an objective of reducing carbon dioxide emissions to 120 grams per kilometre by 2010 at the latest, from an estimated 188 grams per kilometre in 1995.

The proposed fuel economy guide, which will offer driving tips to reduce consumption, will have to be distributed free of charge.

It will also be published electronically, for example on the internet or on CD-ROMs.

## Israelis who have power over time

By Judy Dempsey in Jerusalem

Chaim Karmon has always voted for Israel's right-wing Likud party.

But not for much longer, says Chaim, a tour guide, unless Benjamin Netanyahu, the prime minister, stops giving in to the religious parties who hold the balance of power in the coalition.

And who hold the power over time.

What started Chaim thinking about politics was daylight.

From midnight tonight clocks will go back one hour, ending summer time in Israel.

**'The thing that really upsets me is that time is being set by the religious parties'**

Chaim will not be able to show tourists around after 5pm, even though the evenings are still warm and sultry. He also worries about his children playing in the streets.

"But the thing that really upsets me," said Chaim, "is that time is being set by the religious parties."

The interior ministry decides when clocks should be changed.

And since Eli Shais, the minister, is a member of Shas, the ultra-Orthodox party of Sephardic or Oriental and North African Jews, time has assumed a political, in addition to its religious, significance.

Three years ago, when the Labour party was in power, it wrested the interior ministry from the religious parties, traditionally their fiefdom.

The ministry has wide powers, including the right to decide who can be registered as a Jew, which marriages are considered Jewish and who has the right of residence.

Labour pushed through an agreement to have summer time extended until mid-October.

But when Mr Netanyahu was elected in 1996, he gave the interior ministry back to Shas, the most powerful party in the coalition.

The parliamentary interior and environmental committee, dominated by the coalition, later backed Mr Shais's plan to turn the clocks back six weeks earlier, soon after the beginning of September.

Mr Shais's colleagues say that the ministry is simply taking into account the

interests of religious Sephardim.

Unlike the ultra-Orthodox Ashkenazim, Jews of European descent, several weeks before the Jewish New Year, which this year falls on September 21-22, the Sephardim rise very early to recite Shema, the penitential prayers before Yom Kippur, the Day of Atonement.

The extra hour and earlier daylight will make it easier for them.

"But those who pray at this time are a small minority," said Avraham Poraz, member of Meretz, the left-wing opposition party, and who spearheaded Labour's original daylight plan.

"Netanyahu doesn't care about the majority. He needs Shas to stay in power." But it is not just how the question of time has been turned into a political issue which increasingly worries the opposition and even Likud members. They resent the growing influence of the religious parties at the expense of the secular community.

Two weeks ago the parliamentary finance committee allocated \$11.1m to the National Religious party which represents the settlers, for "Zionist and cultural activities"; another \$12.3m to the Yeshivot, the ultra-Orthodox religious schools; and \$15.9m to settlement infrastructure in the West Bank.

"Of course we tried to block it," said Avraham Shochat, a former finance minister under Labour.

"But what could we do? The finance committee is

**'Is this why I voted Likud? To be governed by the religious parties?'**

controlled by the coalition." And last Wednesday, the finance committee increased the budget of the religious parties - which are supposed to provide religious services to the local community - by 12 per cent to \$14.8m, even though Yakov Neeman, the finance minister, believes there are too many religious councils.

The spending spree for the religious parties coincides with plans by the finance ministry to cut expenditure in next year's budget by \$14.2bn.

"I bet the religious parties will lose one shekel," said Chaim. "Is this why I voted Likud? To be governed by the religious?"

## Stoiber goes on the offensive over economic success in Bavaria as crucial elections near

X German elections

By Ralph Atkins

It may be a grill party but Edmund Stoiber, Bavaria's premier, is not taking it easy.

He turns the Bratwurst so forcefully that two fall on the ground; the rest lie in an untidy heap.

In spite of the homely occasion - a family, lakeside election social with beer, sausages and bouncy castles in mid-Franconia - Mr Stoiber is in full animation. He holds a sausage-filled bread roll in his right hand and gesticulates with the left.

His beer glass is filled with mineral water.

Defending an absolute majority in a German state parliament is serious work. A week tomorrow, Mr Stoiber's right-wing Christian Social Union (CSU) hopes to win more than 80 per cent of the vote for the eighth Bavarian election in a row.

Mr Stoiber is forsaking alcohol during the campaign so he can sleep better at night: at stake is not just the future of the geographically vast, affluent southern German state.

With 50 per cent plus - a goal that opinion polls suggest is not out of Mr Stoiber's reach - the CSU could, just, revive the chances of Chancellor Helmut Kohl in September 27's federal elections. The CSU is a political ally of Mr Kohl's Christian Democratic Union (CDU).

"Everyone is watching Bavaria," says the tall, white-haired Mr Stoiber, 56, as his audience squeezes around the 40-odd beer tables. "We want to stay

in the champions' league."

Best known outside Bavaria for his scepticism towards the new European single currency, the euro, Mr Stoiber is running a campaign based largely on Bavaria's economic success under his five-year premiership.

The state, Mr Stoiber boasts, has the lowest unemployment and debt-per-capita rates in Germany. Privatisation proceeds have been invested in venture capital, universities and culture; Bavaria's traditional agricultural orientation has been turned towards modern industries.

The grill party to die down, an afternoon tour of locally based Adidas sports clothing group - now revamped after heavy losses in the early 1990s - is used to show "that, in spite of high wage costs, we can race against other countries by innovating and taking risks".

Also featuring high are Christian values - "I will always ensure crosses still hang in our schools," Mr Stoiber says - and tackling crime.

In a noticeable rightwards lurch, the CSU has backed controversial measures to expel persistent offenders of foreign nationality, and their parents if appropriate.

The tough stance, in spite of a high crime clear-up rate, may explain why opinion polls suggest the far right parties, on the rise elsewhere in Germany, will fall to jump the 5 per cent hurdle set to exclude extremists from political office.

But Mr Stoiber angrily rejects charges of xenophobia.

And at a late afternoon rally, between the market square fairground amusements and sausage stand in



Edmund Stoiber (left) with Theo Waigel, the German finance minister and leader of the Christian Social Union

the industrial town of Fürth, Mr Stoiber reminds his audience of the terrible human cost of Hitler's Third Reich. "Radicals can never be allowed political responsibility again," he storms.

The backdrop to the Bavarian contest is clearly the federal contest between Mr Kohl and Gerhard Schröder, Social Democratic party (SPD) premier of Lower Saxony in north Germany. Bavaria's SPD is playing heavily on Mr Schröder's national lead; his face appears on posters almost as often as Renate Schmidt, the party's main local candidate.

As night falls, Mr Stoiber's campaign bus arrives at a packed beer tent the size of a football pitch on the outskirts of Nuremberg.

At last he takes off the jacket of his Italian suit and rolls up his sleeves for a 90-minute speech which pulls no punches on condemning the finances of Lower Saxony - and Saarland, where the state premier is Oskar Lafontaine, the SPD's left-wing federal chairman.

"What do they want here?" asks Mr Stoiber rhetorically. "They should go home and develop their states according to Bavaria's pattern."

A particular target is Germany's complex system for equalising funds between the 16 Länder, or federal states, which, Mr Stoiber argues, results in Bavaria subsidising the follies of poorer regions.

Bavaria is challenging the system in the

## Afrikaners look to the power of the gun

A wave of violent armed robberies at isolated farmhouses has made farming a risky business. Victor Mallet reports

Wille Boshoff takes a battered-looking 9mm pistol out of his trouser pocket. "We all walk with weapons here," he says. "I'm not shy to show it to any bastard. I'm not shy to use it at all. My wife's just bought one too."

Five generations of Afrikaans-speaking Boshoffs have lived and farmed near the town of Mooi River in KwaZulu-Natal, but a wave of violent armed robberies at isolated farmhouses has made it a risky business - and an unpopular one with the next generation.

Standing on the bare concrete floor of the four-story stone, which sells children to black farmworkers and schoolchildren, Mr Boshoff and storekeeper Andrew Botha reminisce about friends and neighbours who have been shot and killed since apartheid was ended and President Nelson Mandela's African National Congress was elected in 1994.

Mr Boshoff's wife was attacked and injured by two men with a knife; one of the attackers was the son of one of his employees. Local farmer Louis Vermaak was shot dead in this very store when he walked in with his child and disturbed some armed men who were robbing the shop.

"What will they say if I start doing it?" asks Mr Boshoff. "I've got an automatic rifle with magazines. I could get 300 at one go."

With unemployment estimated at about 30 per cent and racial tensions still simmering beneath the surface, violent crime has increased rapidly throughout the new South Africa. But white farmers have been particu-

larly hard hit: more than 500 commercial farmers and smallholders have been murdered and hundreds injured in the past four years.

Some farmers have threatened to take the law into their own hands - they have already established vigilante groups - connected by radio networks - or to withhold tax payments.

President Mandela, fearing a right-wing white backlash, has acknowledged the severity of the crisis and promised a "summit" to discuss it.

The attacks have been so frequent and so violent that a few farmers believe they are the victims of a political conspiracy to drive them off the land.

Such suspicions are fuelled by unsympathetic statements from the Pan-Africanist Congress of Azania (its slogan is "The Land is Ours") and even from the ruling ANC.

After farmers and volunteer commandos arrested a group of black South Africans on a farm for poaching game with hunting dogs - 86 of the dogs were then shot dead - the ANC in KwaZulu-Natal called for the arrest of the whites involved.

It said a failure to do so "will lead to the conclusion by the African community in the area that they are not protected and that they may lead to them killing the farmers and razing their farms to the ground. These white farmers will have themselves to blame."

In spite of such inflammatory declarations, neither the police nor farmers' leaders believe there is an organised plot to terrorise farmers, and a recent joint investigation into farm attacks in the first five months of this year

concluded that 99 per cent of the incidents were criminally motivated.

The reasons for the violence are more mundane than a conspiracy, but no less alarming.

In rural areas of South Africa, there is still a chasm between the society of white landowners, who often live in luxury homes with swimming pools and tennis courts, and their poverty-stricken black labourers.

When talking among themselves, the white farmers of KwaZulu-Natal routinely refer to their black fellow-citizens by insulting terms and rarely show any understanding of black aspirations.

Brutal treatment of South African farmworkers by their employers was commonplace until a few years ago and is not unknown today.

Some labourers are paid as little as R300 (\$46) a month, although a skilled and trusted employee might earn R1,000. But the quasi-feudal system that underpinned rural apartheid is unravelling.

In the old days, farm labourers were paid miserable wages but usually lived on a farm for life; they could depend on their boss to spare them a bit of grazing for their own cattle or to give them a lift to hospital in an emergency.

Today, under the laws enacted by the new government, labourers have been granted security of tenure and the right to unionise.

Farmers have responded swiftly by abandoning the unspoken contract of paternalism that bound them to those who lived on their



A gun-toting South African farmer makes a routine patrol around his farm recently

land. Hundreds of thousands have lost their jobs. Official statistics show that the number of labourers in agriculture and related industries fell from 1.4m in 1994 to 637,000 in 1997.

"Since 1994 the young chaps don't run chicken - they are aware of their legal rights," says one English-speaking dairy farm owner.

"As soon as you dismiss a chap you immediately get a letter from the Department of Labour, and you may get a letter from a lawyer as well. We've cut down on labour and rely on contractors with farm machinery."

The rise of a younger generation of black South Africans raised on the rhetoric of the anti-apartheid struggle, land hunger among blacks previously forbidden to own property in "white" areas, and the resentment of discharged farm workers are an explosive mixture: many of the farm attacks have been carried out by former employees or inhabitants of the farms, as in the case of Mr Boshoff.

Solutions to the violence are hard to find. Farmers'

representatives are urging the government to reintroduce the death penalty and strengthen rural police forces, but they are pessimistic about the future.

"A lot of people are emigrating," says Graham McIntosh, a cattle rancher and former MP who is presi-

dent of the KwaZulu-Natal Agricultural Union.

Andrew Botha, in between chatting in Zulu to his customers about the price of buns and soft drinks, is equally gloomy. "The farmers won't take a lot more," he says. "I don't think you'll get the kids coming back."

**INDOSUEZ KOREA FUND S.A.**  
Investment Company with Variable Capital

Registered Office:  
rue des Paroissiens 27  
1000 Brussels

In its meeting of 10th August 1998 the Board of Directors has concluded that the General Meeting was not convened on the day, provided by the articles of the association, as the annual accounts were not available yet.

The Board decides to convene its Annual General Meeting at the Registered Office, rue des Paroissiens 27 in Brussels on 25th September 1998 at 3 p.m. The shareholders are hereby invited to attend the meeting. The agenda is as follows:

1. Annual report of the Board of Directors of the financial year ending 31st March 1998.
2. Report of the Auditor of the financial year ending 31st March 1998.
3. Approval of the accounts of the financial year ending 31st March 1998. Decision proposed to be taken: approval of the accounts, including the carrying forward of the balance at the net result.
4. Discharge to the Directors for the financial year ending 31st March 1998. Decision proposed to be taken: in favour of the discharge to the Directors.
5. Discharge to the Auditor for the financial year ending 31st March 1998. Decision proposed to be taken: in favour of the discharge to the Auditor.
6. Name change: Indosuez Korea Fund will replace Indosuez Korea Fund. Proposal in elective approve the name change.
7. Miscellaneous.
8. Miscellaneous.

The shareholders who hold nominative shares and who are willing to attend the Annual General Meeting must notify the company in writing on or before 30th September 1998 and indicate the number of shares with which they intend to vote. For those who have shares in the company, they may be given to the local representative. The shareholders who hold bearer shares and who are willing to attend the Ordinary General Meeting must deposit their shares at the registered office of the company or at the offices of KBC Bank on or before 30th September 1998.

**FIDELITY FUNDS**  
Société d'Investissement à Capital Variable  
Kansallia Hoone - Place de l'Etoile  
B.P. 2174, L-1021 Luxembourg  
R.C. No B 34096

**Notice**  
To holders of shares in Fidelity Funds - Malaysia Fund

Suspended - calculation of the Net Asset Value of and dealing in the shares of shares "Fidelity Funds - Malaysia Fund" on September 2, 1998 at 6.30 p.m. (GMT+8.30 p.m. (UK time)) until further notice. In the opinion of the Board of Directors of Fidelity Funds, even in Malaysia have resulted in the difficulty of assets denominated in Ringgit being disposed of in a manner that is not prejudicial to shareholders.

This suspension does not affect the determination of the Net Asset Value of Shares in any other fund within Fidelity Funds SICAV.

By order of the Board of Directors.

**Fidelity Investments**

FUJITSU JAPANESE CHIPMAKER CONFIRMS CLOSURE OF NORTH-EAST ENGLAND FACTORY AND SAYS ASIAN CRISIS AGGRAVATED PROBLEMS

# Plant closure blamed on overcapacity

By David Wighton in London and Sheila Jones in Manchester

Fujitsu, the Japanese electronics company, yesterday blamed global overcapacity in the memory microchip market for its decision to end semiconductor production in the north-east of England with the loss of 570 jobs.

The announcement comes only four weeks after Siemens of Germany said it was ending microchip production in the region and laying off 1,100 staff unless a buyer could be found for its plant.

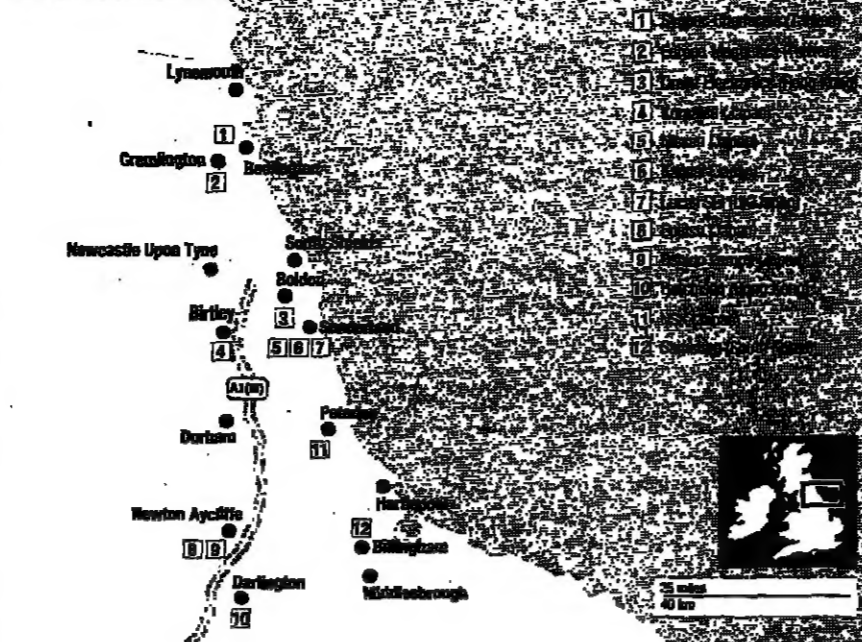
Fujitsu, which was allocated £30m (£49m) in government aid for the plant, yesterday dismissed suggestions the decision was because of UK economic conditions.

Conflicting views emerged in the region about the future of inward investment, following the loss of nearly 3,000 jobs at US and Japanese companies in the past month.

Trade unionists yesterday demanded a shift in strategy to help more indigenous companies. But local regeneration agencies said the drive for foreign investment had to go on.

David Bowles, operations director at the Northern

Investors from the Far East



Development Company, said the growth and development of indigenous companies was "inextricably linked" to the development of companies such as Nissan, the Japanese car maker, which employs more than 4,000 in the north-east directly and many more in supply industries.

"Inward investment has created 80,000 jobs in the region in the past 10 years and another 160,000 in the supply chain. To deny that is the right strategy is to deny people jobs," Mr Bowles said. The closures announced by Siemens and Fujitsu related specifically to problems in

the global semiconductor market rather than to problems in the region. He added that the knock-on effects were limited because the two microchip makers used few local suppliers. "The real problem is the workforce. We now have 1,700 people highly trained in semicon-

ductor manufacture, although we hope that we can make it a business opportunity."

The NDC, with other agencies, would look for buyers for both the Siemens and Fujitsu factories, which produce DRAM memory chips, mainly for the computer industry. The global DRAM market has been the worst hit by overcapacity. The two factories could be converted for the production of logic chips used in telecommunications, Mr Bowles said.

The Asian financial crisis has aggravated problems for the two microchip makers, which argue that Korean companies have further undermined prices by dumping chips on the market. Job cuts and investment delays have been announced at companies across the UK.

Nissan - and Samsung, which employs 1,300 in the region - said yesterday they remained committed to the north-east. Samsung said that despite the postponement of expansion its operations "remain an important and active part of Samsung's global manufacturing capacity".

Nissan is expanding. It is already the north-east's biggest manufacturing

employer since it opened in Sunderland in 1984.

"Our roots here are very deep indeed," said John Cusack, deputy managing director. "We have invested £1.5bn and will be adding £200m to that. The sheer scale of our operations here and the fact we are expanding says it all. Every economy needs a balance of inward investment and indigenous growth. The regions benefit enormously not just through jobs, but also in terms of technology and best practice."

Bob Howard, regional secretary of the Trades Union Congress, yesterday urged a shift in strategy towards indigenous industries. "The reality is that regional funding regimes in the past have been geared towards inward investment and the emphasis has to change."

There was "very little real support at national strategic level for indigenous companies". Inward investment projects had to be considered on their particular merits, he added. "The microchip industry has particular problems but we are probably too heavily dependent on on flagship investors."

See Page 24

NORTHERN IRELAND US PRESIDENT SAYS GOVERNMENT SHOULD INCLUDE ALL 'WHO QUALIFY BY VOTE OF THE PEOPLE'

## Clinton urges implementation of peace accord

By John Murray Brown in Dublin and David Wighton in London

Bill Clinton, the US president, yesterday called for all parts of the Northern Ireland agreement to be "fully implemented", stressing any party with an electoral mandate could take seats in the government.

The comments will put pressure on David Trimble, Northern Ireland's unionist first minister. He has insisted the IRA start disarming before Sinn Féin, its

political wing, can enter the executive, which will run the province after 36 years of direct rule by Westminster.

Speaking in Dublin after talks with Bertie Ahern, the Irish prime minister, Mr Clinton said that, while decommissioning had to be addressed, government participation was for "everyone who qualifies by vote of the people".

Mr Clinton said he expected Mr Trimble and Gerry Adams, the Sinn Féin president, to meet in the near future but added further

progress had to be made to implement the terms of the accord. "I think that eventually we'll get there and I hope it will be sooner rather than later," he said.

The issue of Sinn Féin's role in government is looming as the next stumbling block in the peace process. The ruling executive of Mr Trimble's Ulster Unionist party meets today in Belfast, Northern Ireland's principal city. It is expected to discuss the possibility of direct contacts with Mr Adams and, ahead of the re-opening of

the assembly on September 14, the party's strategy.

Mr Trimble has called a meeting of all party leaders on Monday at Stormont, where a bilateral meeting between Mr Trimble and Mr Adams could take place as part of the consultation process. Unionist officials are keen to emphasise that Mr Trimble would conduct such contacts in his role as first minister, not UUP leader.

His advisers concede some such encounter is unavoidable. Even Mr Trimble's critics, such as Jeffrey Donald-

son, the Lagan Valley MP who opposed the Good Friday agreement, has described such a meeting as "an inevitability".

In a move that seemed timed to take the heat further out of the meeting, David Ervine, spokesman for the Progressive Unionists, which is linked with the banned Ulster Volunteer Force, said he would be prepared to talk to Mr Adams.

At Westminster, there was further controversy over the way the government rushed through anti-terrorism legis-

lation in the wake of last month's Omagh bombing. Tony Benn, the leftwing Labour MP, accused the government of "a total breach of constitutional practice" by telling the media the Queen had given assent to the bill before it had completed its passage through parliament.

The measures became law yesterday after cross-party criticism in the House of Lords. Lord Lloyd of Berwick, a law lord and expert on anti-terrorism legislation, said it would do little to aid terrorist convictions.

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## Hope of a breakthrough on weapons

Jimmy Burns finds the Canadian general charged with overseeing the handover of paramilitary weapons in an upbeat mood

The Canadian general overseeing the handover of paramilitary weapons in Northern Ireland yesterday said he was hopeful of a breakthrough.

At the end of a week where the word "peace" has begun to resonate in the British province, General John de Chastelain was in an upbeat mood.

He said the republican leadership's unequivocal condemnation of the Omagh bombing and the appointment of Martin McGuinness, the chief negotiator for Sinn Féin - the IRA's political wing - to liaise with the IRA on weapons decommissioning had put the peace process back on track. It had also raised the prospect of an eventual breakthrough on the weapons issue.

"The appointment of McGuinness has been a very positive move. It shows that the issue of decommissioning is being taken very seriously by Sinn Féin, and we hope to use that to get in touch with the IRA," he said.

The view is shared by government and security officials who have identified Mr

McGuinness, a former IRA commander, as someone that has long commanded the respect of the republican movement's main military arm while keeping a firm hold on Sinn Féin's political direction.

Significantly his appointment was welcomed by Billy Hutchinson, a former paramilitary prisoner, who is liaising with General de Chastelain for the Ulster Volunteer Force, one of the two main loyalist paramilitary groups. "If anyone can get the IRA to decommission it is McGuinness," said Mr Hutchinson.

But General de Chastelain said there were still obstacles, not least the fact that decommissioning demands a *solus facie* by two militarised sectors of society that have historically hung on to their weaponry as a perceived right. The handover of weapons has for years been identified with surrender.

"I would like to start today and complete decommissioning considerably before May 2000 (the two-year deadline in the Good Friday agreement). But I can't say I have

any control over the timetable nor, I guess, have the political parties... It's the people with the guns that have control," said the general.

While he had a "reasonable idea" of the number of weapons that existed, identifying precise dumps was still dependent on information provided by paramilitaries.

The IRA remains the largest paramilitary organisation.

**McGuinness's appointment shows that Sinn Féin is taking decommissioning 'very seriously'**

tion, but General de Chastelain insisted that some system of proportionality and parallel decommissioning would have to take place. "In psychological terms it is important that one side doesn't believe it is being put at a disadvantage," he said.

He said his offices in Belfast and Dublin were prepared "at a drop of a hat" to

accept the decommissioning of "whatever we can get in whatever order". They had stayed open, prepared to take a call on behalf of the IRA throughout August, a measure of the rising sense of optimism.

According to security sources, first steps involving the IRA - initially probably a token "find or two" - would probably take place south of the Irish border, where the organisation is believed to have up to three tonnes of Semtex plastic explosive hidden in bunkers.

This would be matched in the north with the decommissioning of smaller amounts of explosives belonging to loyalist paramilitaries. The handover of all rifles and guns could present more of a problem, said the general.

General de Chastelain avoided any comment that might be construed as political, and focused on what he referred to as the mechanics of decommissioning.

But the resignation this week of Pastor Kenny McClintock, a former paramilitary prisoner who has acted as a liaison for the Loyalist Volunteer Force, served as a reminder that decommissioning remained inseparable from politics.



General de Chastelain recognises the obstacles Paul McEneaney

## Benefits reform may be delayed

By Robert Peston, Political Correspondent

Alistair Darling, the chief social security minister, has ruled out legislation in the coming year on reform of pensions provision or disability benefits, increasing the likelihood that fundamental changes to the welfare state will be deferred until after the next election.

The minister, who has been working through the summer on these two big issues following the sacking in July of his predecessor, Harriet Harman, has decided that the decisions involved are "too big to be rushed", according to a colleague.

However, this may provide ammunition for the Conservatives, who have been accusing the government of backing away from its promise to radically reconstitute the welfare state. There has also been disappointment in

the prime minister's office at the above-inflation growth in social security's £100bn (£85bn) budget projected for the coming three years.

Mr Darling's department has been allocated two legislative slots in December's Queen's Speech (the formal announcement of the government's legislative programme for the year), but these are likely to be used for less radical measures, such as transferring the Contributions Agency to Inland Revenue control and reform of the Child Support Agency.

The more sensitive questions of increasing compulsion in saving for second pensions and restricting entitlement to incapacity benefit will receive preliminary answers in consultative papers. The pensions paper is scheduled for the second half of November, while the disability report is not due until the turn of the year.

UK new car registrations: August 1998

	Aug 1998	Aug 97	Jul-Aug 1998	Jul-Aug 97
Volume	Chg %	Chg %	Chg %	Chg %
Total Market	58,242	-3.5	109,000	3.3
UK Produced	198,461	-6.6	314,819	544,845
Imports	34,881	-0.0	68.1	1,135,252
Japanese makes	53,383	4.3	15.2	255,997
Ford group	55,000	6.8	18.8	318,287
Ford	32,100	-0.5	18.2	307,150
Jaguar	2,899	71.8	0.8	9,237
General Motors	49,798	-17.8	12.8	141,217
Vauxhall	58,425	-19.7	11.2	184,202
Seat	4,535	15.3	0.9	14,739
BMW group	56,881	-18.9	11.2	134,281
BMW	14,102	-28.5	2.8	48,788
Rolls Royce	42,449	-18.4	8.4	132,233
Porsche	59,076	-10.2	11.7	125,196
Porsche	39,972	-2.0	7.9	124,345
Citroen	19,106	-22.4	3.8	47,810
Volkswagen group	47,980	10.7	9.4	148,885
Volkswagen	26,937	7.8	5.7	88,228
Audi	9,989	28.0	1.9	31,003
SEAT	4,211	-7.8	0.8	14,512
Skoda	4,246	18.3	0.8	12,827
Subaru	41,918	4.6	8.2	137,672
Pagani group	25,123	6.3	5.6	75,980
Pagani	23,151	4.7	4.5	73,416
Alfa Romeo	1,967	27.6	0.4	5,564
Alfa	2,643	2.4	4.9	7,521
Toyota	28,001	7.3	4.9	82,957
Volvo	17,489	10.7	3.5	50,462
Mercedes-Benz	9,280	7.1	1.9	24,678
Volvo	7,476	8.0	1.5	20,582
Mercedes	4,804	3.5	1.8	14,341
Korean makes	12,341	21.6	2.5	44,981
Hyundai	12,341	21.6	2.5	44,981

1. UK total 97% of total registrations and has management control. Source: Society of Motor Manufacturers and Traders

MOTOR VEHICLES MARKETING INCENTIVES HELP TO MINIMISE DROP IN REGISTRATIONS

## Fears allayed on new car sales

By John Griffiths in London

Tumbling stock markets and sagging consumer confidence hit August's new car registrations by less than manufacturers and dealers feared, statistics released by the Society of Motor Manufacturers and Traders showed yesterday.

But the month's relatively modest 3.5 per cent drop in registrations, compared with the previous August, was achieved only by the industry introducing "massive" marketing and dealer incentives late in the month, said Alan Fulham, franchised dealers director of the Retail Motor Industry Federation.

At the half-way stage in the month, registrations were down by more than 7 per cent on a year-on-year basis - in spite of earlier predictions of possible record sales for any month in the industry's history - as fears of recession intensified

'Parallel' motorcycle imports alert

New motorcycles imported by unofficial "parallel" traders are soon likely to be outbidding those sold through franchised outlets unless manufacturers cut prices significantly, according to Glass's Guide, the motor trade vehicle valuation group. John Griffiths and Robert Jaggi write.

In one of the starkest warnings ever delivered to a section of the UK motor trade, Jonathan Brown, Glass's motorcycle editor, said that motorcycle manu-

facturers - predominantly Japanese - and importers "can no longer find weak excuses for not reducing retail prices, which in the UK are way out of step with the rest of the world".

Parallel imports are having a substantial effect on the prices of new motorcycles, and implicit in Glass's warning is that manufacturers' list prices may have to fall by up to 30 per cent if the parallel trade is to be countered.

ment is due to announce before the end of the year whether it will lift current numerical restrictions on "grey" imports of new cars by private traders in pursuit of increased competition. Last month's total registrations, at 58,242, fell well

short of the previous August's 58,539 but was still the second highest on record, the SMMT reported. The industry does not expect, or want, such relatively huge sales figures for a single month to be seen again.

Throughout the 1990s, August has been accounting for around one-quarter of the entire year's sales as buyers became attracted increasingly to the annual August 1 introduction of a new number plate prefix. But the "S" plate introduced last month is to be the last.

From next year, the number plates will change twice a year, in March and September, to be replaced by a new system to include regional identifiers after the current prefix letters are used up in 2001.

Ford remained market leader in August with both its main rivals, Vauxhall and Rover, losing ground

## NEWS DIGEST

## LOCAL GOVERNMENT

### Planning powers for London mayor 'would threaten City'

London's attractiveness as an international financial centre would be threatened by proposals to give London's mayor power to intervene in planning decisions, City officials have warned. Elections for the new post of London mayor will be held in 2000; the current Lord Mayor has a purely ceremonial role. The Corporation of London, the City's municipal authority, estimates a quarter of all planning applications in the City would revert to the mayor, significantly delaying the planning process. In a paper to be presented to the corporation's planning committee next week, officials say: "Such delay and uncertainty would be detrimental to the City as a leading international financial and business centre and to the whole of London as a world city."

The corporation concedes that there is a strong argument for giving the mayor the final say over big, strategic developments. "What we are concerned about is the definition of strategic," said the corporation. Under government proposals out for consultation, the mayor would intervene in schemes involving buildings higher than 50m or with more than 20,000 sq m of floor space. That definition would cover 15 out of the 59 planning consents the corporation granted last year. David Wighton, London

## POWER LIBERALISATION

### Minister urges vigilance

Electricity companies need to be vigilant to ensure customers are not subject to sales abuses when domestic power markets open to competition later this month, John Birt, energy minister, said yesterday. Sales representatives should provide written price comparisons with existing regional suppliers and identify the telephone number of the independent industry regulator, said the minister. Mr Birt is concerned that consumers should not be subjected to the same kind of aggressive marketing and mis-selling that initially marred the introduction of competition in domestic gas markets. The minister yesterday launched the "countdown" to the start of competition in domestic power markets on September 14, when 750,000 domestic customers will have the option of moving to a new supplier. Andrew Taylor, London

## BRITISH AIRWAYS

### 'Air rage' woman jailed

A woman who fought with cabin crew on a British Airways flight was jailed for 15 months today. The airline said it was pleased with the outcome of the hearing into one of a growing number of "air rage" cases. Elizabeth Elliott, 24, was refused entry to the US, became drunk on the return flight, attacked cabin crew and caused mayhem, a London court was told. Ms Elliott, from Ealing, west London, had earlier admitted a charge of endangering an aircraft and its passengers and two assaults causing actual bodily harm to cabin crew. BA said later: "We are pleased with the outcome of the hearing. We have always maintained the view that there can never be any excuse or justification for violent attacks on cabin crew - the very people who have responsibility for safety on board."

## NATIONAL LOTTERY

### New guidelines for regulator

The Camelot consortium faces "unlimited fines" for any future breach of its licence to run the National Lottery from today. Chris Smith, chief culture minister, has issued a new set of guidelines to the director-general of Oflot, the regulator, in an attempt to make the lottery a success and to ensure a maximum amount of money goes to good causes. Financial penalties, subject to appeal, can now be imposed if the operator fails to meet the requirements of the licence to run the lottery. The guidelines coincide with new powers in the National Lottery Act. Mr Smith said yesterday: "These new measures will strengthen the power of the director-general and in due course the Lottery Commission, to ensure that our National Lottery continues to operate to the highest possible standards of propriety."

## CROHN'S DISEASE

### FDA 'fast track' for new drug

Sufferers from the chronic bowel disorder known as Crohn's disease could soon benefit from a cure invented in Britain. Preliminary trials of a new drug discovered by a Berkshire, southern England, biotechnology company have proved so successful that the US Food and Drug Administration has put it on a "fast track" development programme.

This means it could be launched by the end of 2000. The drug has been produced from mouse antibodies which have been modified to work in humans to attack the Crohn's disorder.

Crohn's is currently treated with steroids and surgery, which can have harmful side effects such as severe weight gain and damage to internal organs. It is hoped that the antibodies will be able to reduce patients' dependence on steroids, particularly when the disease flares up. Shares in Celtech rose more than 13 per cent on the news.

## FINANCIAL TIMES

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Saturday September 5 1998

## The threat to globalisation

Perhaps the enormous volatility of the world's stock markets recently is part of a long-overdue correction. Perhaps it can be explained by worries about the spread of contagion. But there are deeper concerns as well. Malaysia's imposition of capital controls and Hong Kong's intervention in its stock market have planted worries that we may be entering a very different investment environment, where the supremacy of the markets is questioned and protectionism makes an unwelcome return.

Malaysia's action may open the floodgates for many more developing countries to put restrictions on capital flows. This is causing great concern. Capital controls prevent global capital from flowing to where it is most demanded, so impeding economic efficiency. Companies in capital-controlled countries have, at best, very limited access to cheap finance in the international capital markets: investment and growth therefore suffer. Controls are subject to avoidance and corruption. And, perhaps most seriously, they can be misused as a shield against the market forces that would otherwise compel governments to carry out necessary economic reforms.

But the Asian crisis is just the latest reminder that the risks associated with full capital convertibility can be very high, since short-term portfolio flows are by their very nature subject to wild swings.

The arguments for free capital flows are much more debatable than the arguments for free trade. Many countries have done very well without capital account convertibility. Even Professor Jagdish Bhagwati, an economist who has been influential in pushing the benefits of free trade, said recently that "the weight of evidence and the force of logic point... toward restraints on capital flows". The spread of capital controls is not necessarily the disaster that some economists are warning about; although western investors would certainly suffer, as they would lose the opportunity to diversify their portfolios into the high-risk emerging markets.

### Free-market backlash

Fears about a new investment environment, though, are not limited to worries about the re-imposition of capital controls. There is concern that a backlash against free markets in all their forms is beginning and that progress towards free global trade could be halted, or even reversed. So far, there is no sign of an increase in protectionism. The

IMF has been careful to make further liberalisation a condition in its rescue packages in east Asia. The World Trade Organisation is working well in preventing transgressions against international trade rules. And the US and European Union are both still pursuing free-trade policies.

### Economic slowdown

But protectionist pressures are set to grow as the global economy slows down. Countries suffering from a weak economy are the most vulnerable to nationalist pressures, of which protectionism is a popular form.

Protectionist pressures could therefore rise up in the weakened emerging market economies, particularly those directly affected by the crisis. Even if trade policy did not go into reverse, valuable progress could be stalled. Leadership on trade policy, though, remains with the US and EU. So long as these trading blocs maintain a firm free-trade stance, the damage of isolated outbreaks of protectionism in the developing world should be limited.

The trouble is that the US will itself be increasingly subject to protectionist pressures it could find hard to resist. As a "consumer of last resort", the US will see its trade deficit rising, particularly if Latin America is dragged further into the crisis. At the same time, the economy is set to slow down. The anti-globalisation lobby is already gaining support in Congress and can only get stronger.

A widespread return to protectionism remains a distant possibility. But it is worth worrying about because of the gravity of its implications.

The liberalisation policies of the last half-century have allowed a huge increase in world trade and cross-border investment and, with it, economic growth. Greater protectionism could slow world trade growth, cut emerging markets off from the foreign direct investment that has been so important for their growth and prevent multinational companies from investing in the best locations. The prospects for world economic growth would be unambiguously worsened, as would be the prospects for world stock markets.

There is no need for panic about the prospect of more capital controls. Though inconvenient for foreign investors, their effects are limited. The real threat is that this could be just the first step on a path to protectionism. This is a more remote possibility, but a far more dangerous one.



The worst may never happen. Having fallen heavily in the wake of the Asian and Russian crises, global stock markets may quickly rebound and history will look back on the past few weeks as an unpleasant but necessary correction.

Severe bear markets – ones that have a significant impact on the real economy – have thankfully occurred very rarely this century. Yet, given that most western markets have fallen by a fifth in little more than a month and considering that 40 per cent of the world economy is either in recession or heading that way, it makes sense to ask: if the world is entering a new bear phase, what might be the consequences? History is not much help. The two worst bear markets of the century – 1929-32 and 1973-74 – had significantly different causes. The former was associated with a credit crunch and deflationary pressures; the latter with inflation, linked to the oil crisis. Any late 1990s bear market would be different again, although its causes are likely to be deflationary, and therefore closer to the 1929 than the 1973 edition. However, it is possible to project a few significant themes.

● **Private investors** would become disillusioned. The US investor has fallen heavily for the "cult of equity": 39 per cent of US personal sector net wealth is held in the form of shares. European investors are well behind the US but have been catching up during the past year or so.

During the long bull market, falls in share prices have been seen as opportunities to "buy on the dips". But if there were a bear market, in which each rally is followed by another sell-off, the decline in investor morale would become self-sustaining. Instead of hanging on for long-term profits, investors would start bailing out before more of their money disappears.

The crash of 1929 soured private investors' attitude to equities for a generation; after the mid-1970s bear market, disillusioned savers caused mutual funds to lose a third of their assets between 1978 and 1982.

There would be a "wealth effect", particularly in the US. American consumers have been spending money, confident that their mutual fund holdings were rising in value; if the market falls substantially, they are likely to cut back on spending and build up their cash holdings. Economic growth would fall as a consequence, perhaps by as much as 1 percentage point of gross domestic product a year.

Those who rely on personal, rather than occupational, pensions could then find that their pension is much smaller than they had expected. And if bond yields continue to drop, some would face a double whammy. Not only would the value of their accumulated fund have dropped, but the annuity they buy with



their fund would also offer a lower return (because annuity rates are linked to bond yields).

And that would mean that the recent drive by governments to finance their own pensions, rather than rely on the state, could peter out, which would blow a hole in long-term government finances. Talk of investing the US social security fund in the stock market, or of privatising the system so that beneficiaries can invest their own money, would be dropped.

● **Government finances** would take further blows. Those countries planning substantial privatisation programmes would either have to drop the idea or drastically reduce their revenue expectations.

Risk-averse investors would shut emerging markets out of the international capital markets for much longer than seems likely even now, after the effective Russian default and the International Monetary Fund rescue packages in south-east Asia. That would force developing countries to rely on their domestic markets, pushing up interest rates and reducing their economic growth. Those western companies that have planned their long-term hopes on growth in emerging markets would have to rethink

● **Investment portfolios** would be rearranged. If the "cult of equity" declined, bonds would make a comeback, increasing their share of institutional portfolios – especially if the bear market were caused by global deflation. The gradual shift by

### A plunge in corporate finance activity would hit the profits of investment banks

European funds out of bonds and into equities would be halted. But risk-averse investors would be interested in the debt only of developed nations and blue-chip companies.

The methods for comparing bond and equity valuations would have to be re-assessed. The inflationary 1970s and 1980s meant that, to attract investors, bonds had to offer a substantial yield premium compared with equities. This has come to be accepted as the norm. But before 1959, things were the other way around: equities had to yield more than bonds because of their

riskier nature. If a bear market began, the premium might well revert to this traditional pattern.

● **Corporate finance** and new issue activity would slow down. After the crash of 1987, the amount of money raised in UK new issues fell by 25 per cent in the following year. The value of mergers and acquisitions activity in the UK fell from £1.3bn in 1973 to £508m in 1974 and just £291m in 1975, according to Datastream. A plunge in corporate finance activity would hit the profits of investment banks, just at the time when they would be suffering from the losses incurred by their trading arms in the face of falling share prices. Weakened firms would be forced into the hands of stronger rivals; some commercial banks would decide to withdraw from the securities business altogether.

Some firms would go under, as UK small commercial banks and financial conglomerates did in the bear market of 1973-74. In some cases, this would be caused by the combination of falling prices and leverage; in other cases, it would be due to fraud. For companies, the folk wisdom is that "recessions discover what auditors do not"; for banks, the same adage applies to bear markets.

The result would probably be

calls for greater regulation of the markets. In the US, the 1933-32 era was followed by the Glass-Steagall Act, which separated commercial and investment banking; the 1987 crash by restrictions on trading strategies based on arbitrage between the cash market and the future. Derivatives markets, which outsiders (and even bank executives) find difficult to understand, would be a likely target.

● **Jobs in financial services** would be lost. Within weeks of the 1987 crash, US houses such as L.F. Rothschild and Kidder Peabody were laying off staff. It is estimated that about 20,000 jobs were lost in the City of London during the following year. Even where jobs are retained, bonuses would be cut. Property prices in the smarter areas of London and New York would slip.

● **Share option schemes** may lose their potency as a method of rewarding corporate executives. Executives have made fortunes from such schemes in recent years, particularly in the US. According to William Mercer, an employee benefit consultancy, last year chief executives at 138 out of 350 large US corporations had stock options with a face value of more than three times their pay and bonus.

But given the strength of the bull market, this may have had little to do with their management ability. As master investor Warren Buffett put it, it is rather like a duck in a rainstorm believing that its paddling efforts were causing the level of the river to rise.

Some companies would try to rewrite their schemes to adjust for lower share prices. In a drawn-out bear market, even this strategy (which outside shareholders are unlikely to welcome) would not work. Companies may have to start shelling out real money to keep their key executives.

This year, Smithers & Co, a London research group, estimated that US profits had been overstated by as much as one-third in 1995 and 1996 because of options schemes. Smithers argued that stock options were effectively part of employees' remuneration, and thus the costs of providing them should be charged to profits.

● **Corporate profitability** in general would be squeezed. The effective cost of equity capital would rise; weaker credits would have to pay higher yields on debt because of banks' aversion to risk; and those companies that have had pension contribution holidays would have to resume payments into their schemes. Weaker rivals would cut prices in order to get business, lowering margins across the board.

Finally, some securities analysts, somewhere, would claim to have predicted it all. They would be fêted in public and their opinions would move markets for a while. Until, that is, their next big market call turns out to be wrong.

## Exit, pursued by a bear

John Authors considers the worrying finding that Wall Street is relying on investors who do not know what they are talking about

telephone calls; even company executives had to take calls. Most investors, though, were merely seeking reassurance. They made sure of the valuations of their portfolios, and then sat tight. A poll taken from Friday to Monday last week for Prudential Securities, one of the largest national brokerages, found that 83 per cent of investors were not planning to change their portfolio in the next few weeks. Of those who were, buyers outnumbered sellers, seven to three.

Nevertheless, mounting evidence suggests that retail investors have little grasp of investment fundamentals, and are guided by naive enthusiasms and the hints they pick up from friends, rather than by rational strategy.

A study by Peter Huber, a Princeton University anthropologist, found that "Americans are a highly resilient and optimistic people". His survey, carried out across the US on behalf of KeyCorp, a large Ohio-based bank, found that Americans appeared

to be highly credulous, particularly about information gleaned at the workplace. Innovations by the financial services industry, particularly the 401(k) pension plan – offered by employers but leaving employees to make choices between funds – have

### 'Getting people involved in the stock market is a way of making it too big to fail'

made the workplace the centre for personal financial planning. "As a result, the office gossip mill has become a significant source of information about finances and investment options," says Mr Huber. "Information gathered at work, whether through formal seminars or informal conversation

around the coffee pot, is considered by the recipient to be highly credible."

Mr Huber spoke to one man who was introduced to his stockbroker by the janitor from his office. Everyone in the office thought their janitor had an investment "Midas touch". Americans also seemed inclined to act on telemarketing "cold calls", particularly if they had money to spare. In many cases, the only reason an investor held a particular share was because someone had phoned and offered it.

Mr Huber found little evidence that the great American enthusiasm for investment was a cultural phenomenon. It was instead the result of inventive marketing ideas, such as the 401(k) plan. "I don't see a cultural thread that weaves through this. I think it's something that the finance industry has done – building the products and marketing them and pushing them downstream. It's a mode of self-protection. Getting people involved in the stock

market is a way of making it too big to fail."

Other research confirms that Americans do not find finance particularly interesting. A survey by Yankelovich, the market research company, for Fidelity Investments found that on average Americans spent 137 hours researching a vacation, 124 hours on buying a car, but only 60 hours before sinking money into a mutual fund.

Conversations around the water cooler do not appear to involve advanced analysis of investment fundamentals. The Yankelovich survey found that only a quarter of investors knew that a cut in interest rates would make Treasury bond prices go up. Almost as many – 23 per cent – thought that bond prices would go down, while 27 per cent did not realise there was any link. On average, they thought 16 per cent, roughly double the historic norm, was a fair rate of annual return to expect from equities.

When it came to stock-picking, the Fidelity research found one amateur investor who based his selection on whether he liked a company's television commercials. Little wonder that Fidelity has wheeled out Peter Lynch, its most successful fund manager, to front an advertising campaign.

Hennesse estimates that there is approximately \$400bn controlled by hedge funds worldwide. Some leverage their investment positions by as much as seven times, and think nothing of committing up to 10 per cent of their assets on one investment.

August's huge losses have removed the hedge funds' cloak of invulnerability. While few are forecasting a rapid decline in the money they have to invest, they are predicting leaner times. And, as if things were not bad enough, several countries are considering implementing new rules to limit speculation by foreign investors. That could really hurt.

William Lewis

## Clip that hedge

group of funds lost approximately \$2bn (£1.3bn) through its Russian investments. Long-Term Capital Management, run by John Meriwether, the former Salomon Brothers bond trader, said it lost a staggering 44 per cent of its net asset value in August alone, taking approximately \$2bn off the fund's total asset value.

The fallout from these losses has been widespread. Hedge fund managers appear to be in shock. In recent years, on the back of exceptionally strong investment performances, they have revelled in the spotlight. "This is the first time they have really got

slammed," says Charles Granda, of the Hennessee Hedge Fund Advisory Group, which advises investors on which funds to invest in.

In a letter to its clients Mr Meriwether, a pivotal character in *Liar's Poker*, the book about Salomon's dominance of the Wall Street fixed-income market in the 1980s, admitted that "losses of this magnitude are a shock to us as they surely are to you".

Bankers Trust, one of the largest bond holding companies in the US, told investors it had suffered pre-tax trading losses of \$350m so far in the third quarter. As one of Wall Street's most

aggressive lenders to hedge funds, it is said to have had a large exposure to High Risk Opportunities Fund, the West Palm Beach-based fund which earlier this week filed for liquidation in the Cayman Islands.

The wealthy individuals and investment institutions that provide hedge funds with their firepower are also having to make adjustments. Years of spectacular returns by funds meant that investors "got used to 25-30 per cent [annual] returns", says Mr Granda. "We are telling our investors to be happy with 15 per cent returns," he says.

MAN IN THE NEWS GENNADY ZYUGANOV

# Russia's wrecking ball

John Thornhill explains why the Communist leader is taking the country to the brink of political collapse

**Z**yuganov Prepares for War. That was how the favoured newspaper of Russia's capitalist converts, *Kommersant*, this week wrote about the decision of the potato-faced leader of the Communist party, Gennady Zyuganov, to reject Boris Yeltsin's candidate for prime minister, and with it, the chance to form a government to deal with financial turmoil. "The country has moved to the brink of civil war," the newspaper warned. "The Duma, led by Gennady Zyuganov, is prepared to fire the first shot."

Russia's business people, for the most part, had come to regard modern-day Communists with indifference, if not contempt. They viewed Mr Zyuganov and his colleagues as bare-brained looters who ran a hopeless presidential election campaign in 1996 and have since been too scared to confront President Yeltsin directly. The nadir was seemingly reached in April when a splinter group of Communist MPs broke rank with their leadership and voted for the reformist Sergei Kiriyenko as prime minister. The "iron discipline" of Lenin's successors appeared to have rusted away.

But this week, the Communist party has revealed its strength as the only organised political force in

the country and the biggest faction in the Duma, the lower house of parliament. With Russia spinning out of control, the Communists are again convinced their hour has come.

On Monday, they rejected Victor Chernomyrdin as Mr Yeltsin's prime ministerial nominee for the first time. Yesterday, parliament postponed a second vote until next Monday after Mr Yeltsin offered fresh concessions. If necessary, they say, they are prepared to vote down Mr Chernomyrdin three times. That would trigger the dissolution of the Duma, new elections, more political chaos and an even greater financial crisis.

But that crisis appears to be of secondary concern to Mr Zyuganov, no matter how much it devastates his country. It seems that Russia's Communists are again following Lenin's pre-revolutionary dictum - "the worse, the better".

Mr Zyuganov is an unlikely revolutionary. A mild-mannered man with a

fondness for fried potatoes and his ginger cat, Vaska, Mr Zyuganov would more likely trip over his own shoes than storm the barricades. His colleagues in the ideology department of the Soviet Communist party used to refer to him as "the Bolshevik with square balls" because of his awkward gait.

Russia's *Profile* magazine, which recently pictured Mr Zyuganov at home with his family, warmed to the humanity of its subject. "You don't have to fear Communists like Zyuganov; they are domesticated, orthodox. It is always possible to strike a deal with them; they will not organise a putsch, they will not instigate lawlessness or order killings."

Yet it is this very lack of revolutionary fire that has antagonised many members of Mr Zyuganov's own party. The Leninist left, which has found a parliamentary spokesman in Victor Iyukhin, chairman of the parliamentary security committee, has succeeded in pushing Mr Zyuganov into dropping his

early conciliatory approach to the Kremlin.

Mr Zyuganov has recently stepped up his personal and political attacks, condemning Mr Yeltsin as a "debauched, rotten, immoral person", responsible for the bloody assault on the parliament in October 1993 and the slaughter in Chechnya. Mr Zyuganov would appear to be in no mood for compromise - although he has often backed down before.

It may seem extraordinary to outsiders that Mr Zyuganov is prepared to engage in brinkmanship with Mr Yeltsin that could tip the whole country over the edge into anarchy. But the Communist chief himself argues that Mr Yeltsin can play no part in Russia's immediate future.

He recently sketched out two possible versions of how events could unfold. The first envisaged that the opposition would steadily intensify the pressure on Mr Yeltsin by launching formal impeachment proceedings against him in parliament and stoking up a day of mass

protest on October 7. The opposition forces would then sweep to power - by unspecified means - and organise a government of people's trust. The second suggested that the country would spiral out of control with "bankruptcies and emergency situations" ending in enmity and bloodshed.

For the moment, Mr Zyuganov seems more intent on wielding influence than seizing power and has been sounding a pragmatic note about compromising with other politicians, if not Mr Yeltsin. He stresses the virtues of price and currency controls, trade protectionism and government support for strategic industries, but he also says he favours a mixed economy and foreign investment. Whichever government now comes to power, he says, "must proceed not from projects drawn up by the young Chege boys 20 years ago but from real life which causes adjustments to be made in politics almost every week".

That makes him sound

somewhat less than a revolutionary Bolshevik. Indeed, Sergei Markov, a politics professor at Moscow State University who has made a close study of Russia's Communists, argues that Mr Zyuganov has shifted the centre of gravity within his party from Marxist internationalism to Slavophile commercialism. "He has transformed a party of 18th-century economic ideology into a party of 21st-century nationalism," Mr Markov claims.

That suggests Mr Zyuganov could easily find common cause with Yuri Luzhkov, Moscow's populist mayor, who is himself prone to some fairly sabre-rattling nationalist rhetoric, or Yegor Stroyev, the thoughtful speaker of the upper house of parliament. These leaders are seen as the most likely prime ministerial candidates should Mr Chernomyrdin be rejected.

It may not mean, though, that Mr Zyuganov could be president. True, if there were early presidential elections, he would almost certainly get to a second-round runoff, as he did in 1996. But the polls suggest he would be defeated by almost every other potential candidate in the second round, whether by the liberal Grigory Yavlinsky or the populist general, Alexander Lebed. Mr Zyuganov, it seems, has the power of a wrecking ball - not that of a builder.



## One country, two economies

Brian Groom on worrying signs that Britain's north-south divide may be re-emerging

**I**s the traditional divide between Britain's rich south and poor north, supposedly fast becoming a thing of the past, returning with a vengeance? Yesterday's announcement that Fujitsu is to close its plant in County Durham, with the loss of 600 jobs, follows a summer of screams of pain from northern regions.

The Fujitsu closure, like that of Siemens Tyneside plant a month ago, can be blamed on the semiconductor industry's woes. But that comes as little comfort to north-east England. Here job losses have exceeded 3,000 in five weeks, including redundancies at Grove Europe, a crane manufacturer, Rolls-Royce, and Crown Paints.

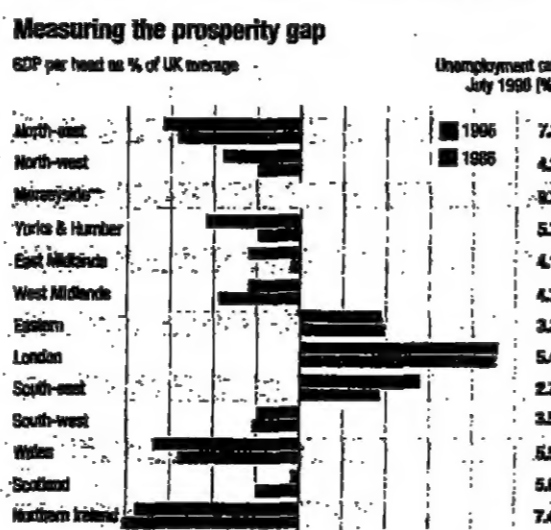
Across northern England, 4,000 jobs are going in factories. In the Midlands, Rover announced 1,500 redundancies in July. Even the Scottish economy, a star performer of recent years, has turned down.

Yet the service-dominated economy of south-east England, although slowing, remains in comparatively good health.

Prima facie evidence for the re-emergence of a north-south divide seems overwhelming. You might have thought it never went away, so deeply is the notion embedded in the UK's psyche. But for much of this decade, hopes grew that the old fault-line was closing.

The UK's last recession, in 1980-1982, broke the post-war mould. Not only did it punish the south for its growth, it also fuelled the north and Midlands, transmuted by factory closures a decade earlier, had successfully diversified their economies. They rode it out more easily.

A reversion to historic type would be devastating for those regions. It would dash Britain's hopes of lifting a barrier to more rapid growth, and present a serious headache for the Labour government. In its committee paper *Building Partnerships for Prosperity*, which proposes creating eight English regional develop-



A summer of redundancies

Company	Date	Jobs	Location	Industry
Fujitsu	Aug 5	600	County Durham	Electronics
Siemens	Aug 11	200	E. Midlands	Electronics
Royal Ordnance	Aug 11	475	Wales & N. Wales	Defence
Service Europe	Aug 10	850	Sunderland	Cranes
STC	Aug 5	500	Yorkshire	Textiles
Eastman	Jul 31	1,100	Tyneside	Semiconductors
Rover	Jul 24	1,500	Midlands	Cars
Dunelm	Jan 30	720	South Yorkshire	Furniture

ment agencies (RDAs) from next April, the government said: "Wide variations in levels of economic activity - reflected in wage pressures, levels of unemployment and movements in house prices - make the task of providing a stable macroeconomic climate more difficult. The risk is lower overall growth and employment rates."

There are caveats. There is, for example, little regional variation in wage settlements, according to *Income Data Services*, the research group. Neither has there been any impact so far on unemployment figures - the claimant count fell to an 18-year low in July, with reductions in every region.

Insofar as there is a downturn, it is not confined to the north. The Confederation of British Industry/Business Strategies regional trends survey reported last month that problems were spreading to all regions as manufacturers found it hard to

director at Business Strategies. Even if this does not raise numbers claiming unemployment benefit, it is likely to have an impact on total employment.

Other indicators are also disheartening. The number of regional quoted companies outside the south-east is falling for the first time in years as companies merge or close. Experian, the business information group, reports lower profit margins in the north-west and Wales.

David Mackie of Morgan Guaranty warns that "the manufacturing sector will contract sharply in the coming year; our forecast is a drop in output of 5 to 10 per cent."

This does more than put pressure on the government and Bank of England over interest rates. It presents a challenge for the Scottish parliament and Welsh assembly, to be established next year, and raises the stakes dramatically for English RDAs.

The government's experiment in decentralisation could lead in unforeseen directions. The RDAs are intended to close the prosperity gap with other European regions, and narrow differentials in the UK. But economic forces are pushing in the opposite direction.

Research by Tony Travers at the London School of Economics shows UK regional differentials are narrower than those in France, Germany, Italy and Spain. RDAs could widen rather than reduce them. The nascent south-east agency, for instance, wants the south-east to become one of the world's 10 richest regions.

The immediate concern is the depth of the slowdown. A serious recession on north-south lines would shatter complacency about how far northern economies have been restructured since the 1980s.

Yet for all his concerns, Mr Blake of Business Strategies still believes the national economy is better balanced than before either of the past two recessions. Much of Britain will be hoping he is right.

win domestic, as well as export, orders.

New jobs, on the other hand, have been announced even in hard-hit regions. Tony Blair, the prime minister, said yesterday that over the past year, more than 10,000 had been created or safeguarded by inward investment in the north-east.

The UK's economic geography, moreover, has become complicated. While textile-dependent Bradford suffers, neighbouring Leeds is protected by its growth in financial services. The squeals of Birmingham's manufacturers are not repeated among the city's professional classes. And whereas west Wales and the valleys are basket cases, Cardiff and south-east Wales is a success.

It is those northern regions with a higher concentration of manufacturing that are suffering most from the high point, high interest rates and Asian crisis, says Neil Blake, research

## The doctor orders complete rest

Sheila McNulty explains the rivalry and personal accusations behind Malaysia's drastic change of direction this week

**M**alaysia's prime minister Mahathir Mohamad is outspoken to the point of boorishness. His former boss, Anwar Ibrahim, is an intellectual sophisticate who peppers even budget speeches with quotes from Islamic and European philosophers.

Dr Mahathir drones when he speaks, slouches in his chair and wears rumpled suits. Mr Anwar's suits are well-tailored, he wears designer spectacles, and smells heavily of aftershave.

Dr Mahathir has little time for diplomatic niceties and sometimes enters foreign media interviews with the words, "Let's get this over with". Mr Anwar has cultivated support among international investors and the 51-year-old is sometimes seen - in the west at any rate - as the one who embodies Malaysia's future (Dr Mahathir is 72).

But this week, the big difference between the two was Dr Mahathir's superior political savvy and toughness after 17 years at the top. Dr Mahathir fired Mr Anwar as deputy prime minister and finance minister. And he orchestrated the expulsion from the ruling United Malays National Organisation party of the man who was once his anointed successor.

In normal times, Mr Anwar's downfall might have been put down to arguments over the economy that have rumbled along for more than a year before erupting this week, producing an abrupt change in economic policy. But there has also been a savage, and personal twist. Suddenly Mr Anwar, a father of six known to the outside world as Malaysia's man of reason, is being portrayed as a sexual predator with an extraordinary range of tastes. He vigorously denies the charges which, he claims, are a government conspiracy against him. But they are

now known by everyone and are raising doubts about his character.

The High Court allowed the release of detailed affidavits alleging sodomy by Mr Anwar, his dealings with a pimp, attempts to entice other men's wives, and the leaking of state secrets. The allegations have circulated among the intelligentsia for the past year anonymously but until they were compiled in a book called *50 Reasons Why Anwar Cannot Become PM* they were dismissed by most as inconceivable for a man who built his reputation on being a devout Moslem. Now the book of accusations has found its way into the bags of delegates at the general assembly of the ruling party even though Mr

His accusations that there was some sort of "Jewish agenda" found a following among Malaysia's Moslem majority (though he later recanted the charge for foreign audiences).

Mr Anwar, meanwhile, focused on soothing the animosity his boss was creating. Over the past year this has created tension between the two men. Dr Mahathir has always had the final say, however, and Mr Anwar did not dispute it because he hoped that Dr Mahathir would in turn not dispute his bid to become prime minister.

But as the Asian crisis worsened their understanding unravelled. Dr Mahathir refused to seek International Monetary Fund help. Mr

Thus began what has been a defining week for the country. Dr Mahathir imposed sweeping capital controls that cut Malaysia off from the international financial markets. The measures are so draconian they precipitated the resignation of the central bank governor and his deputy. The subsequent dismissal of Mr Anwar gives Dr Mahathir a free hand. Even Mr Anwar's longtime party supporters have backed the prime minister.

Economically, Malaysia has benefited, albeit only in the short term. The imposition of exchange controls has allowed the country to cut interest rates without causing a currency collapse. Politically, the prime minister may also have won short-term benefits. The public is unsure what to make of the demise of the man they had been led to believe, for the better part of five years, would become prime minister. Nobody knows if the charges against Mr Anwar are true and many wonder if they will ever know. Mr Anwar has struck back hard, criticising the government that, until a few days ago, he represented. This is starting to anger nationalist Malaysians. Mr Anwar's chances of a political comeback are diminishing by the day.

Political analysts note that in 1969 Dr Mahathir was expelled from the party for espousing what were believed then to be extremist views and disagreeing with Malaysia's first prime minister. He recovered.

But he was not accused of anything criminal. Police say they are investigating Mr Anwar.

Unless he is arrested, Mr Anwar says he will travel the nation to clear his name. "I'll be around for a long time. I'm going to defend myself." But the past few days have proved that whether he will be permitted to do so is entirely up to Dr Mahathir.

Nobody knows if the charges against Mr Anwar are true and many wonder if they will ever know

Anwar obtained an injunction against its distribution. The author and publisher did not conceal their identities despite strict laws against defaming those in authority. Some powerful person, it seems, has been backing efforts to discredit Mr Anwar.

For Anwar, the accusations could hardly have come at a worse time. He has long been under enormous pressure for disagreeing with Dr Mahathir's response to the Asian economic crisis. Recently, these pressures have become even more intense. Dr Mahathir has blamed Malaysia's problems on foreign "speculators" and has given warnings of "guerrilla warfare" against foreigners. His nationalistic pitches increased his support among rural Malaysians, who are a majority of the population.

came about, surely, once man was established on earth and there was some one to organise? The Concise Oxford Dictionary appears to support this premise because it defines management, among others, as, "persons managing a business, trickery or deceit".

Therefore, the first management consultant was, evidently, Eve? It might also explain why management theory and management practice are, at times, at variance and, at others, illogical.

Kenneth Armitage, 6 Deben Valley Drive, Kesgrave, Suffolk, UK

## LETTERS TO THE EDITOR

### Link is far too simplistic

**From Mr Frank Semack.**  
Sir, Your otherwise excellent reflections on current market conditions ("Summer sell-off" and "Fear of falling", August 29-30) unfortunately persist in propagating the dangerous over-simplification that falling share prices equate to a rising equity risk premium (ERP).

Investors have indeed seen offloading shares because of a simple fear of falling, but any attempt to explain this in the context of ERP calculations is misguided if it ignores the fact that falling prices, combined with falling expectations for earnings and dividend growth and falling bond

yields, do not necessarily add up to a rising equity risk premium. The problem with the traditional definition of ERP is that in a low-yield environment it is largely determined by expectations, and the current market turmoil is a prime example of expectations undergoing drastic revisions.

The prospective ERP concept does have some validity, statistically speaking, in "normal" market conditions, but it falls when markets go into overdrive, either on the upside or on the downside.

Frank Semack, 333 Rector Place, New York, NY 10280, US

### Learn from past, but don't live in it

**From Mr Roman Mathes.**  
Sir, As a German-born Canadian now living in Germany, I have developed an interesting perspective on both North American feelings towards Germans and the war and Germans' feelings towards the war. Furthermore, the majority of my friends in Canada are Jewish and I have therefore had many interesting discussions concerning this admittedly difficult subject.

I think it is time to ask when will it be enough? A recent lawsuit by US counterparts against German companies such as Daimler-Benz, VW, Audi and MAN is probably crossing the line of

reason. Germany has already paid billions and billions to Israel and Germans are now attempting to pay off a huge national debt due to reindustrialisation (a further result of the war).

I understand and agree with the principle of recouping money held in bank accounts - after all, the money was earned and there are clear records of such deposits. Furthermore, a suit settled against life insurers also makes sense and is just. However, in times of war things become, to put it mildly, chaotic.

I do not, therefore, believe that a suit launched against the US government for the

mass injustice towards thousands of south and north Vietnamese would go very far and it should not - war is war.

So why should German industrialists now run by people who, for the most part, were not yet born in the war, pay for the mistakes of earlier generations? I sympathise with the feelings of the Jewish community. However, the best strategy is surely remember the past, learn from it, but do not live in it.

Roman Mathes, Lorschei Str. 24D, 60489 Frankfurt, Germany

### Consultancy beginnings more down to earth

**From Mr Kenneth Armitage.**  
Sir, Jan Harrington (Letters, September 2) suggests some earlier candidates, Machiavelli among them, than Lucy Kellaway's Florence Nightingale as being more deserving of the title of the first management consultant.

However, management

came about, surely, once man was established on earth and there was some one to organise? The Concise Oxford Dictionary appears to support this premise because it defines management, among others, as, "persons managing a business, trickery or deceit".

Therefore, the first management consultant was, evidently, Eve? It might also explain why management theory and management practice are, at times, at variance and, at others, illogical.

Kenneth Armitage, 6 Deben Valley Drive, Kesgrave, Suffolk, UK

### Hot off the presses well before Caxton

**From Mr B. McGowan.**  
Sir, Mark Vernon's article "Key role for IT in the marketing mix" (September 2) in your IT review refers to the "invention" of the printing press by William Caxton. Printing presses existed in

more than 70 cities around eight European countries before Caxton printed his first book in Westminster.

Johannes Gutenberg is generally regarded as the inventor of the printing press. His first book

appeared in 1438 in Mainz, nearly 40 years before Caxton began publishing.

B. McGowan, Gloucester 3, 27404 Zwen, Germany

## COMMODITIES &amp; AGRICULTURE

# Oil steady on Russian exports fear

## WEEK IN THE MARKETS

By Gary Mead

Crude oil yesterday managed to cling on to most of the gains it made at the end of the week, as it continued to be boosted by fears that Russian exports - of some 2.1m b/d - may be interrupted as a consequence of the country's economic turmoil.

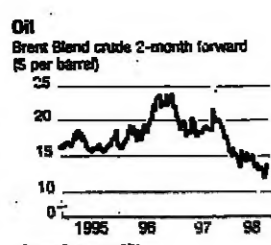
On the International Petroleum Exchange in London, October-December Brent fell to \$13.33 a barrel, down 11 cents from Thursday's close, which surprised some traders, who had expected news of imminent talks between the Saudi and Kuwaiti oil ministers to be supportive for prices. In later trading it clawed back to \$13.39.

Venezuela announced it had lowered its reference price for its oil - the price on which it makes its national budget plans - from \$18.50 to \$17.50 a barrel for 1998.

Russian exports of crude from its main Black Sea and Baltic outlets have suffered severe cuts this week. However, the reductions are largely technical, related to the disturbance of the banking system, which is making it difficult for lifters to get hold of the funds to pay customs dues.

On the London Metal Exchange most base metals ended the afternoon "kerf" session slightly down, with three-months nickel the only gainer of the day, closing \$35 higher at \$4,320 a tonne.

The Zambian finance minister, Edith Nawakwi, said the planned sale of the country's two leading copper



Source: International Petroleum Exchange

## LME warehouse stocks

Tonnes (000)	Change
Aluminium	462.2
Aluminium alloy	73.3
Copper	337.3
Lead	113.5
Nickel	59.2
Zinc	368.9
Tin	6.1

\* Thursday's close

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## BASE METALS

## LONDON METAL EXCHANGE

(Prices from amalgamated Metal Trading)

All aluminium, 99.7 purity (5 per cent)

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## Precious Metals continued

GOLD COMEX (100 Troy oz. Strip)

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## CURRENCIES &amp; MONEY

## Dollar bounce

MARKETS REPORT  
By Richard Adams

The US dollar staged a recovery against the D-Mark during trading on international currency markets yesterday - but analysts warned that its strength may be waning.

After a week of strong selling, the dollar climbed a penny against the D-Mark by the end of trading hours in Europe. It ended at DM1.735, and also gained most of a cent against sterling to £1.673.

In later trading in New York, the dollar rose by a further penny, until hitting resistance at DM1.744. The failure to attract buyers above that level saw the dollar quickly fall back in thin trading, as dealers cleared their desks early and squared their books ahead of the long holiday weekend.

Against the yen the dollar actually weakened slightly in Europe to ¥134.3, as talk

of Japanese fund repatriation continued to mesmerise the market. The spell was broken in New York, and the dollar steamed back to ¥136 before strong selling interest arrived.

New York analysts said the dollar had been over-sold in recent days, leading to the bounce back yesterday. But other factors continued to weigh the market down. Yen carry trades continued to unwind, while selling of US assets to cover

losses in emerging markets was again reported.

"The technical picture very much questions whether the dollar can continue its rally - the whole momentum behind the growth of the dollar has disappeared," said Tony Norfield, global head of treasury

research at ABN Amro bank in London.

The dollar was also helped yesterday by comments from Hans Tietmeyer, the Bundesbank president. He said the dollar's fall was caused by technical factors, rather than any underlying economic reason.

"The dollar's fall this week, from around DM1.80 to a low of DM1.73 on Thursday, could be a good thing in the current climate."

Brownwyn Curtis, chief economist at Nomura International in London, said that weaker dollar would ease the difficulties of countries with weak currencies.

And with many commodities traded internationally in US dollars, countries like Canada and Australia may benefit from rising prices.

"The weaker dollar really does take pressure off emerging market currencies," Ms Curtis said.

Ukraine yesterday announced an effective devaluation of its currency, the hryvnia, when it lowered the trading band observed

by the country's central bank.

The decision, made with the International Monetary Fund's blessing, set the hryvnia's band between 2.50 to 3.50 to the US dollar. It was previously between 1.80 to 2.25.

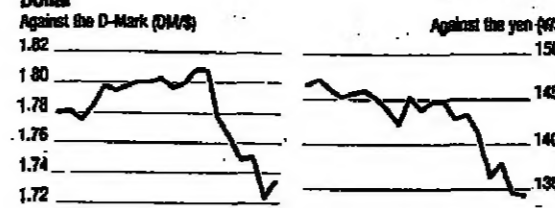
The IMF said the devaluation was "fully consistent" with its extended fund facility. Ukraine is set to receive a tranche of \$250m next week if approved by IMF directors.

The trouble was not helped by comments from Victor Chornomyrdin that he wanted "an economic dictatorship" to help Russia.

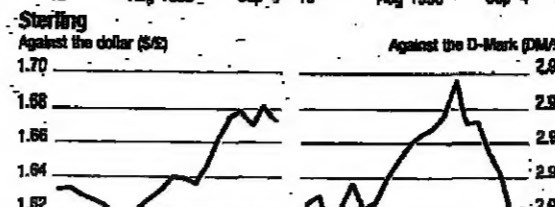
Mr Chornomyrdin also said he was in favour of a currency board regime to stabilise the ruble. The central bank fixed the ruble rate at 16.89 to the dollar for the weekend, compared with 13.46 yesterday.

The Emerging Market Traders Association said the unofficial ruble rate - based on a survey of Moscow traders - was 18.81 yesterday. It was 15.77 on Thursday.

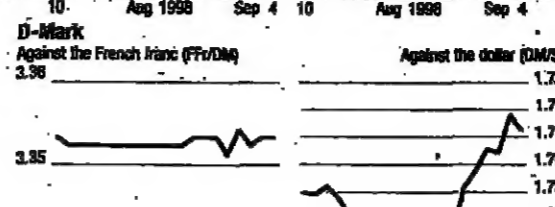
Against the D-Mark (DM/\$)



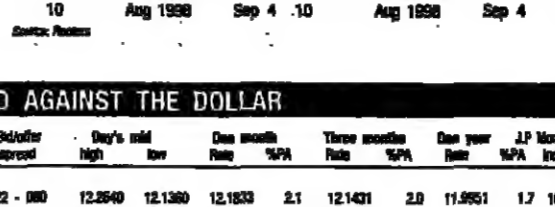
Against the yen (¥/\$)



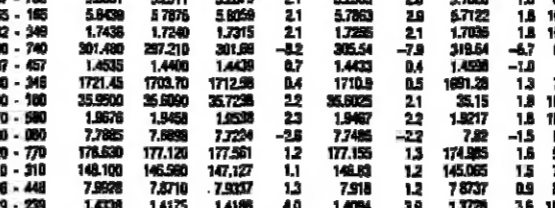
Against the D-Mark (DM/£)



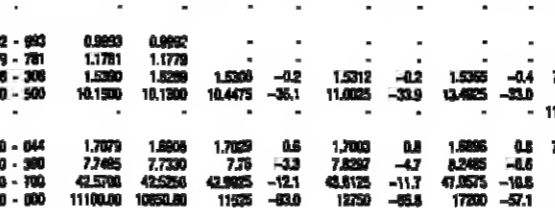
Against the French Franc (FF/\$)



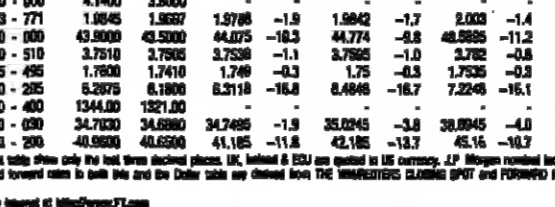
Against the dollar (DM/\$)



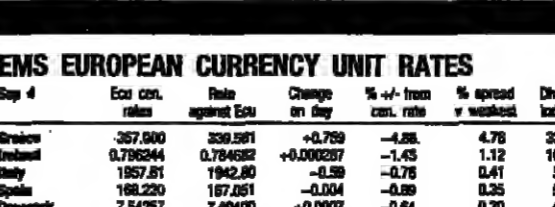
Against the dollar (DM/\$)



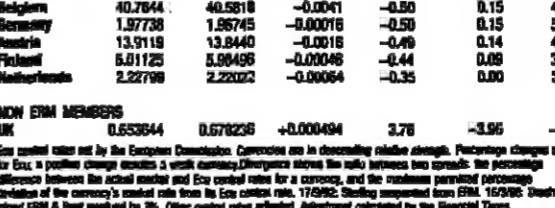
Against the dollar (DM/\$)



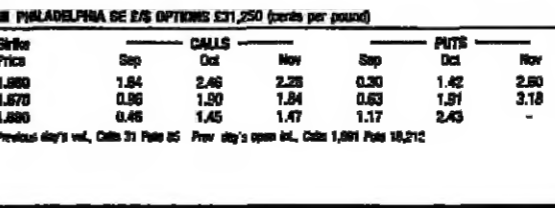
Against the dollar (DM/\$)



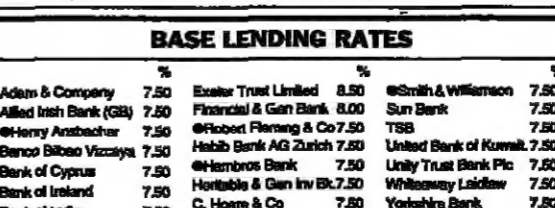
Against the dollar (DM/\$)



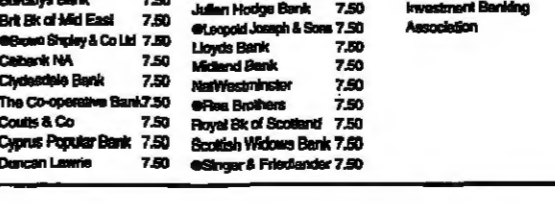
Against the dollar (DM/\$)



Against the dollar (DM/\$)



Against the dollar (DM/\$)



Against the dollar (DM/\$)



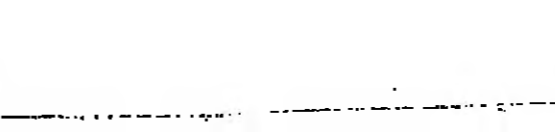
Against the dollar (DM/\$)



Against the dollar (DM/\$)



Against the dollar (DM/\$)



## WORLD INTEREST RATES

## MONEY RATES

Step 4	Over night	One month	Three months	Six months	One year	Bank rate	UK rate	Repo rate
Belgium	3%	3%	3%	3%	3%	6.00	2.75	-
France	3%	3%	3%	3%	3%	4.50	2.50	3.30
Germany	3%	3%	3%	3%	3%	4.50	2.50	3.30
Italy	3%	3%	3%	3%	3%	4.50	2.50	3.30
Netherlands	3%	3%	3%	3%	3%	4.50	2.50	3.30
Spain	3%	3%	3%	3%	3%	4.50	2.50	3.30
Sweden	3%	3%	3%	3%	3%	4.50	2.50	3.30
Switzerland	3%	3%	3%	3%	3%	4.50	2.50	3.30
UK	3%	3%	3%	3%	3%	4.50	2.50	3.30
Japan	3%	3%	3%	3%	3%	4.50	2.50	3.30

## EURO CURRENCY INTEREST RATES

Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

## DOLLAR SPOT FORWARD AGAINST THE POUND

Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
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Sweden	3%	3%	3%	3%	3%
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## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Step 4	Over night	One month	Three months	Six months	One year
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Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
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Japan	3%	3%	3%	3%	3%

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Step 4	Over night	One month	Three months	Six months	One year
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Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

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Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

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Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

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Step 4	Over night	One month	Three months	Six months	One year
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France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

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France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
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Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%
Japan	3%	3%	3%	3%	3%

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Step 4	Over night	One month	Three months	Six months	One year
Belgium	3%	3%	3%	3%	3%
France	3%	3%	3%	3%	3%
Germany	3%	3%	3%	3%	3%
Italy	3%	3%	3%	3%	3%
Netherlands	3%	3%	3%	3%	3%
Spain	3%	3%	3%	3%	3%
Sweden	3%	3%	3%	3%	3%
Switzerland	3%	3%	3%	3%	3%
UK	3%	3%	3%	3%	3%

## UNIT TRUSTS

## WINNERS AND LOSERS

## TOP FIVE OVER 1 YEAR

OP-Only European Acc.	1,385
Baring Global Growth	1,383
Investco European Growth	1,339
Investco European Small Cos	1,222
Old Mutual French Equities	1,208

## BOTTOM FIVE OVER 1 YEAR

HSC Singapore & Malaysia	265
Garnmore Flight Asia (Sm Cos)	322
Schroder Asset	344
S&P & Prosper Gold & Equities	350
Old Mutual Hong Kong	361

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warnings past performance is not a guide to future performance.

## Indices

Average Unit Trust	835	1,017	1,394	2,070	1.1	2.5
Average Investment Trust	1,010	1,225	1,465	2,070	1.8	4.4
Bank	1,045	1,322	1,627	2,170	0.0	0.2
Building Society	1,042	1,113	1,228	1,774	0.0	0.4
Stockmarket: FTSE All-Share	1,070	1,336	1,672	2,744	3.5	4.3
Inflation	1,035	1,052	1,159	1,528	0.3	-

## UK Growth

Johnson Fry Stellar Growth	1,008	1,855	2,136	4,288	4.3	1.8
OM Hartley Growth	1,058	1,748	1,989	2,408	4.1	1.8
River & Mercantile 1st Growth	1,057	1,709	2,179	-	3.4	1.4
Savem UK Growth	1,131	1,638	2,063	-	3.5	1.8
Baring Growth Acc	1,131	1,629	1,986	3,105	3.2	1.1
SECTOR AVERAGE	1,010	1,378	1,620	2,763	3.8	1.7

## UK Growth &amp; Income

CF The Utilities	1,286	1,705	2,241	-	3.4	2.7
Fleming Select UK Income	1,127	1,680	2,043	3,222	3.4	2.9
River & Mercantile Top 100	1,088	1,617	-	-	3.5	2.4
HSC Foodstuffs	1,088	1,609	1,798	-	3.8	1.9
Laurence Koen Income & Growth	1,080	1,601	1,789	-	3.5	3.2
SECTOR AVERAGE	1,027	1,410	1,628	2,909	3.4	2.3

## UK Smaller Companies

NorthWest UK Smaller Cos	1,008	1,738	-	-	4.5	1.7
Laurence Koen Smaller Cos	1,018	1,655	-	-	4.3	1.4
GT UK Smaller Companies Acc	1,283	1,593	1,854	-	4.2	1.2
Garnmore UK Smaller Companies	988	1,582	2,081	2,514	4.5	1.1
Henderson Small Cos Growth	1,119	1,528	1,874	-	4.1	1.2
SECTOR AVERAGE	941	1,175	1,388	1,983	4.2	1.7

## UK Equity Income

BWD UK Equity Income	1,088	1,626	2,029	3,333	3.1	3.5
Jupiter Income	1,041	1,607	2,091	4,571	2.9	4.4
Fidelity Income Plus	1,045	1,593	1,867	3,423	3.2	4.4
British High Yield Inc	1,075	1,561	1,883	3,671	3.0	3.3
NP Global Core Income	1,113	1,541	-	-	3.8	2.9
SECTOR AVERAGE	1,026	1,393	1,686	2,834	3.1	4.0

## UK Equity &amp; Bond Income

CS UK Income	1,121	1,510	1,887	-	2.8	5.5
Marlborough HN UK High Income	1,188	1,508	-	-	2.4	5.5
HSC High Income	1,088	1,491	-	-	2.4	5.5
CU PPT High Yield	1,124	1,490	1,635	2,682	2.8	5.3
Abbey National Extra Income	1,048	1,479	1,620	3,347	2.3	4.8
SECTOR AVERAGE	1,044	1,357	1,482	2,446	2.4	5.1

## TOP FIVE OVER 1 YEAR

Schroder Asset	1,385
Investco European Growth	1,383
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## FINANCIAL TIMES WEEKEND SEPTEMBER 5/SEPTEMBER 6 1998

FINANCIAL TIMES WEEKEND SEPTEMBER 5/SEPTEMBER 6 1998

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\* FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (441) 771-8733 for more details.

● **NOTES**  
 Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax.  
 Net: Rate of interest payable after allowing for deduction of basic rate income tax.  
 Gross IRR: Gross rate assimilated to taking account of compounding of interest paid other than once a year.  
 "Compound Annual Rate".  
 Net G: Frequency of which interest is credited to the account.



**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 823 4378 for more details.

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## MEETING TOPICS

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Warrant  
Schmidt's Japan Club

[illegible]

down by 40% to 70%.

[illegible]

Shore Smar Co's.	17 1/2	41 1/2	20 1/2
Imo Prod.	20 1/2	—	20 1/2

[illegible]

Personnel Management

[illegible]

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Chubb Corp.	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402
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2013	2012	2011	2010	2009
2013	2012	2011	2010	2009

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J.P. Morgan is the registered office for J.P. Morgan & Co. Incorporated and its subsidiaries worldwide.

Rank	Name	Price	1997
1	Glaxo Wellcome	\$1.00	100%
2	Novartis	\$1.00	100%
3	Roche	\$1.00	100%
4	Merck	\$1.00	100%
5	Abbott	\$1.00	100%
6	Amgen	\$1.00	100%
7	Boehringer Ingelheim	\$1.00	100%
8	Sanofi-Sintabo	\$1.00	100%
9	SmithKline Beecham	\$1.00	100%
10	Wyeth	\$1.00	100%
11	Pharmacia	\$1.00	100%
12	Novartis	\$1.00	100%
13	Roche	\$1.00	100%
14	Merck	\$1.00	100%
15	Abbott	\$1.00	100%
16	Amgen	\$1.00	100%
17	Boehringer Ingelheim	\$1.00	100%
18	Sanofi-Sintabo	\$1.00	100%
19	SmithKline Beecham	\$1.00	100%
20	Wyeth	\$1.00	100%
21	Pharmacia	\$1.00	100%
22	Novartis	\$1.00	100%
23	Roche	\$1.00	100%
24	Merck	\$1.00	100%
25	Abbott	\$1.00	100%
26	Amgen	\$1.00	100%
27	Boehringer Ingelheim	\$1.00	100%
28	Sanofi-Sintabo	\$1.00	100%
29	SmithKline Beecham	\$1.00	100%
30	Wyeth	\$1.00	100%
31	Pharmacia	\$1.00	100%
32	Novartis	\$1.00	100%
33	Roche	\$1.00	100%
34	Merck	\$1.00	100%
35	Abbott	\$1.00	100%
36	Amgen	\$1.00	100%
37	Boehringer Ingelheim	\$1.00	100%
38	Sanofi-Sintabo	\$1.00	100%
39	SmithKline Beecham	\$1.00	100%
40	Wyeth	\$1.00	100%
41	Pharmacia	\$1.00	100%
42	Novartis	\$1.00	100%
43	Roche	\$1.00	100%
44	Merck	\$1.00	100%
45	Abbott	\$1.00	100%
46	Amgen	\$1.00	100%
47	Boehringer Ingelheim	\$1.00	100%
48	Sanofi-Sintabo	\$1.00	100%
49	SmithKline Beecham	\$1.00	100%
50	Wyeth	\$1.00	100%
51	Pharmacia	\$1.00	100%
52	Novartis	\$1.00	100%
53	Roche	\$1.00	100%
54	Merck	\$1.00	100%
55	Abbott	\$1.00	100%
56	Amgen	\$1.00	100%
57	Boehringer Ingelheim	\$1.00	100%
58	Sanofi-Sintabo	\$1.00	100%
59	SmithKline Beecham	\$1.00	100%
60	Wyeth	\$1.00	100%
61	Pharmacia	\$1.00	100%
62	Novartis	\$1.00	100%
63	Roche	\$1.00	100%
64	Merck	\$1.00	100%
65	Abbott	\$1.00	100%
66	Amgen	\$1.00	100%
67	Boehringer Ingelheim	\$1.00	100%
68	Sanofi-Sintabo	\$1.00	100%
69	SmithKline Beecham	\$1.00	100%
70	Wyeth	\$1.00	100%
71	Pharmacia	\$1.00	100%
72	Novartis	\$1.00	100%
73	Roche	\$1.00	100%
74	Merck	\$1.00	100%
75	Abbott	\$1.00	100%
76	Amgen	\$1.00	100%
77	Boehringer Ingelheim	\$1.00	100%
78	Sanofi-Sintabo	\$1.00	100%
79	SmithKline Beecham	\$1.00	100%
80	Wyeth	\$1.00	100%
81	Pharmacia	\$1.00	100%
82	Novartis	\$1.00	100%
83	Roche	\$1.00	100%
84	Merck	\$1.00	100%
85	Abbott	\$1.00	100%
86	Amgen	\$1.00	100%
87	Boehringer Ingelheim	\$1.00	100%
88	Sanofi-Sintabo	\$1.00	100%
89	SmithKline Beecham	\$1.00	100%
90	Wyeth	\$1.00	100%
91	Pharmacia	\$1.00	100%
92	Novartis	\$1.00	100%
93	Roche	\$1.00	100%
94	Merck	\$1.00	100%</

## WIRELESS GOODS & TEXT

	Mean	Price	% of
1990	130.00	100.00	100.00
1991	130.00	100.00	100.00
1992	130.00	100.00	100.00
1993	130.00	100.00	100.00
1994	130.00	100.00	100.00
1995	130.00	100.00	100.00
1996	130.00	100.00	100.00
1997	130.00	100.00	100.00
1998	130.00	100.00	100.00
1999	130.00	100.00	100.00
2000	130.00	100.00	100.00
2001	130.00	100.00	100.00
2002	130.00	100.00	100.00
2003	130.00	100.00	100.00
2004	130.00	100.00	100.00
2005	130.00	100.00	100.00
2006	130.00	100.00	100.00
2007	130.00	100.00	100.00
2008	130.00	100.00	100.00
2009	130.00	100.00	100.00
2010	130.00	100.00	100.00
2011	130.00	100.00	100.00
2012	130.00	100.00	100.00
2013	130.00	100.00	100.00
2014	130.00	100.00	100.00
2015	130.00	100.00	100.00
2016	130.00	100.00	100.00
2017	130.00	100.00	100.00
2018	130.00	100.00	100.00
2019	130.00	100.00	100.00
2020	130.00	100.00	100.00
2021	130.00	100.00	100.00
2022	130.00	100.00	100.00
2023	130.00	100.00	100.00
2024	130.00	100.00	100.00
2025	130.00	100.00	100.00
2026	130.00	100.00	100.00
2027	130.00	100.00	100.00
2028	130.00	100.00	100.00
2029	130.00	100.00	100.00
2030	130.00	100.00	100.00
2031	130.00	100.00	100.00
2032	130.00	100.00	100.00
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2040	130.00	100.00	100.00
2041	130.00	100.00	100.00
2042	130.00	100.00	100.00
2043	130.00	100.00	100.00
2044	130.00	100.00	100.00
2045	130.00	100.00	100.00
2046	130.00	100.00	100.00
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2054	130.00	100.00	100.00
2055	130.00	100.00	100.00
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2063	130.00	100.00	100.00
2064	130.00	100.00	100.00
2065	130.00	100.00	100.00
2066	130.00	100.00	100.00
2067	130.00	100.00	100.00
2068	130.00	100.00	100.00
2069	130.00	100.00	100.00
2070	130.00	100.00	100.00
2071	130.00	100.00	100.00
2072	130.00	100.00	100.00
2073	130.00	100.00	100.00
2074	130.00	100.00	100.00
2075	130.00	100.00	100.00
2076	130.00	100.00	100.00
2077	130.00	100.00	100.00
2078	130.00	100.00	100.00
2079	130.00	100.00	100.00
2080	130.00	100.00	100.00
2081	130.00	100.00	100.00
2082	130.00	100.00	100.00
2083	130.00	100.00	100.00
2084	130.00	100.00	100.00
2085	130.00	100.00	100.00
2086	130.00	100.00	100.00
2087	130.00	100.00	100.00
2088	130.00	100.00	100.00
2089	130.00	100.00	100.00
2090	130.00	100.00	100.00
2091	130.00	100.00	100.00
2092	130.00	100.00	100.00
2093	130.00	100.00	100.00
2094	130.00	100.00	100.00
2095	130.00	100.00	100.00
2096	130.00	100.00	100.00
2097	130.00	100.00	100.00
2098	130.00	100.00	100.00
2099	130.00	100.00	100.00
2100	130.00	100.00	100.00

外、

[illegible][illegible][illegible]

2008年12月10日

## IV TRUSTS SPLIT CAPITAL

[illegible]

Shore Smar Co's.	17 1/2	41 1/2	20 1/2
Imo Prod.	20 1/2	—	20 1/2

[illegible]

Personnel Management

[illegible]

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

Chubb	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402
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2013	2012	2011	2010	2009
2013	2012	2011	2010	2009

هَكَذَا مِنْ أَفْضَلِ

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

Table with 2 columns: Name, Price. Includes entries like Fidelity Investment Trust, etc.

INVESTMENT COMPANIES

Table with 2 columns: Name, Price. Includes entries like Fidelity Investment Company, etc.

LEISURE & HOTELS

Table with 2 columns: Name, Price. Includes entries like Fidelity Leisure & Hotels, etc.

LIFE ASSURANCE

Table with 2 columns: Name, Price. Includes entries like Fidelity Life Assurance, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers, etc.

PROPERTY - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Property, etc.

RETAILERS - Food

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers Food, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers General, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers, etc.

PROPERTY - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Property, etc.

RETAILERS - Food

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers Food, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers General, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers, etc.

PROPERTY - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Property, etc.

RETAILERS - Food

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers Food, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers General, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers, etc.

PROPERTY - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Property, etc.

RETAILERS - Food

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers Food, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers General, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers, etc.

PROPERTY - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Property, etc.

RETAILERS - Food

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers Food, etc.

RETAILERS - General

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RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers, etc.

PROPERTY - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Property, etc.

RETAILERS - Food

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers Food, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers General, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers, etc.

PROPERTY - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Property, etc.

RETAILERS - Food

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers Food, etc.

RETAILERS - General

Table with 2 columns: Name, Price. Includes entries like Fidelity Retailers General, etc.

Big deal

(Small commission)  
From only £10 (and never more than £75), you can deal in our MarketMaster account. Call 0870 601 8888 for an information pack quoting FT304.  
**Charles Schwab**  
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PLUS ADMIN FEE OF £1 PER QUARTER. ISSUED BY CHARLES SCHWAB EUROPE, WHICH IS A MEMBER FIRM OF THE LONDON STOCK EXCHANGE AND LSE, AN INDEPENDENT APPROVED PLAN MANAGER AND IS REGULATED BY THE SECURITIES AND FUTURES AUTHORITY.

AMERICANS

Table with 2 columns: Name, Price. Includes entries like Fidelity Americans, etc.

CANADIANS

Table with 2 columns: Name, Price. Includes entries like Fidelity Canadians, etc.

SOUTH AFRICANS

Table with 2 columns: Name, Price. Includes entries like Fidelity South Africans, etc.

TRADED INDEX SECURITIES

Table with 2 columns: Name, Price. Includes entries like Fidelity Traded Index Securities, etc.

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by...  
1. Prices and trading volumes for the London Share Service are delivered by...  
2. Prices and trading volumes for the London Share Service are delivered by...  
3. Prices and trading volumes for the London Share Service are delivered by...  
4. Prices and trading volumes for the London Share Service are delivered by...  
5. Prices and trading volumes for the London Share Service are delivered by...  
6. Prices and trading volumes for the London Share Service are delivered by...  
7. Prices and trading volumes for the London Share Service are delivered by...  
8. Prices and trading volumes for the London Share Service are delivered by...  
9. Prices and trading volumes for the London Share Service are delivered by...  
10. Prices and trading volumes for the London Share Service are delivered by...

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## NORTH AMERICA

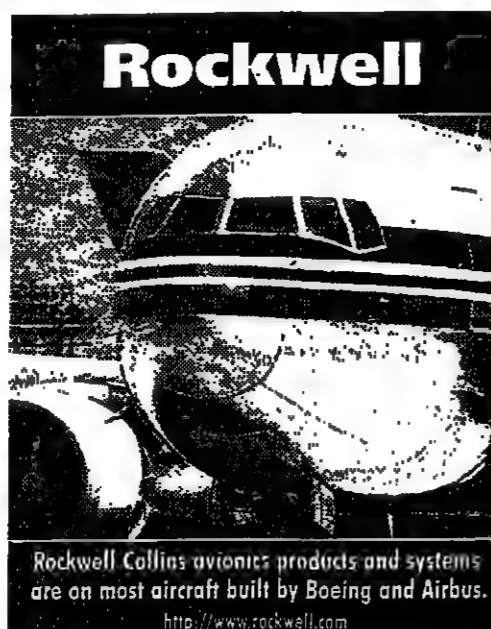
UNITED STATES (Sep 4 / US\$)		High	Low	52 Wk High	52 Wk Low
DOW JONES INDUSTRIAL AVERAGE					
30-Stock Index	8,912.12	8,912.12	8,912.12	8,912.12	8,912.12
NASDAQ COMPOSITE INDEX					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED STOCKS					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED BONDS					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED FUTURES					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78

## EUROPE

UNITED KINGDOM (Sep 4 / £)		High	Low	52 Wk High	52 Wk Low
FTSE 100 INDEX					
5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
DAX INDEX (FRANCE)					
1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
IBEX 35 INDEX (SPAIN)					
3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00
STOXX 50 INDEX (GERMANY)					
4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00

## ASIA

HONG KONG (Sep 4 / HK\$)		High	Low	52 Wk High	52 Wk Low
HSI INDEX					
10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Nikkei 225 (JAPAN)					
15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
S&P 500 (US)					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78



Rockwell Collins avionics products and systems are on most aircraft built by Boeing and Airbus.

INDICES		High	Low	52 Wk High	52 Wk Low
DOW JONES INDUSTRIAL AVERAGE					
8,912.12	8,912.12	8,912.12	8,912.12	8,912.12	8,912.12
NASDAQ COMPOSITE INDEX					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED STOCKS					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED BONDS					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED FUTURES					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78

EUROPE		High	Low	52 Wk High	52 Wk Low
FTSE 100 INDEX					
5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
DAX INDEX (FRANCE)					
1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
IBEX 35 INDEX (SPAIN)					
3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00
STOXX 50 INDEX (GERMANY)					
4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00

ASIA		High	Low	52 Wk High	52 Wk Low
HSI INDEX					
10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Nikkei 225 (JAPAN)					
15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
S&P 500 (US)					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78

INDICES		High	Low	52 Wk High	52 Wk Low
DOW JONES INDUSTRIAL AVERAGE					
8,912.12	8,912.12	8,912.12	8,912.12	8,912.12	8,912.12
NASDAQ COMPOSITE INDEX					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED STOCKS					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED BONDS					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED FUTURES					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78

EUROPE		High	Low	52 Wk High	52 Wk Low
FTSE 100 INDEX					
5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
DAX INDEX (FRANCE)					
1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
IBEX 35 INDEX (SPAIN)					
3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00
STOXX 50 INDEX (GERMANY)					
4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00

ASIA		High	Low	52 Wk High	52 Wk Low
HSI INDEX					
10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Nikkei 225 (JAPAN)					
15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
S&P 500 (US)					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78

INDEX FUTURES		High	Low	52 Wk High	52 Wk Low
DOW JONES INDUSTRIAL AVERAGE					
8,912.12	8,912.12	8,912.12	8,912.12	8,912.12	8,912.12
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1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED STOCKS					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED BONDS					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78
NYSE LISTED FUTURES					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78

EUROPE		High	Low	52 Wk High	52 Wk Low
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DAX INDEX (FRANCE)					
1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
IBEX 35 INDEX (SPAIN)					
3,500.00	3,500.00	3,500.00	3,500.00	3,500.00	3,500.00
STOXX 50 INDEX (GERMANY)					
4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00

ASIA		High	Low	52 Wk High	52 Wk Low
HSI INDEX					
10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Nikkei 225 (JAPAN)					
15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
S&P 500 (US)					
1,154.78	1,154.78	1,154.78	1,154.78	1,154.78	1,154.78

Banks and bonds take Wall St down

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# Banks and bonds take Wall St down

## AMERICAS

US shares moved lower in early trading as investors prepared for the long Labor Day weekend and as bond prices improved, writes John Labate in New York.

"The banks are leading the way down," said Warren Epstein, director of trading at Richard Rosenblatt & Co in New York. He added that the breadth of the market in general looked promising, with advancing stocks still ahead of declining ones, and expected the market could attempt a rally towards the end of the session.

The lacklustre tone was unusual in light of the recent wild swings. Volume was moderate. US stock and bond markets will be closed on Monday.

By early afternoon the Dow Jones Industrial Average was down 35.27 to 7,646.96, while the broader Standard & Poor's 500 index fell 8.25 to 974.01.

Financial shares stayed under pressure as investors continued to assess the impact of overseas market earnings. On Thursday Lehman Brothers became the latest brokerage firm to report losses due to emerging markets. Yesterday Lehman shares were more stable, down 4% to \$37.47.

Banking shares continued to fall, with the banking index of the Philadelphia Stock Exchange down 3.8 per cent to 637.65. Chase Manhattan was down almost 7 per cent to \$45.

The Nasdaq composite fell 4.58 to 1,667.28. But the Rus-

## Jo'burg golds shine

### SOUTH AFRICA

Golds in Johannesburg rallied strongly, but the broad market ended lower with the all share index off 35.8 to 4,826.9 after a mixed session.

Industrials lost 0.4 per cent

sell 2000 of small company shares climbed 1.17 to 347.46.

Shares of Pfizer were \$94.4 down 4% after Morgan Stanley Dean Witter cut its rating to "neutral".

TORONTO pushed higher, supported mostly by a strong opening for gold shares, which met with solid demand on the back of an uptick on the bullion price.

Barrick Gold rose \$1.20 to \$24.60 and Placer Dome gained 90 cents to \$18.35. It was one of the best sector gains of the morning and it helped lift the 300 composite index by 56.82 to 6,767.70 at the noon count.

In metals, Cominco improved \$31.28 to \$317.45. Banks were mixed. Royal Bank of Canada added 10 cents to \$56.00, but Canadian Imperial shed 25 cents to \$328.75 and Toronto-Dominion lost \$1.30 to \$34.00.

SAO PAULO moved lower as the latest Moody's downgrade for Brazilian debt sparked a fresh wave of foreign selling.

Blue chips fell steeply and the benchmark Bovespa index was off 315 or 3.1 per cent at 15,044 at mid-session.

Among leaders, Telebras shed 5.7 per cent to \$872.30 and Petrobras 6.8 per cent to \$1,042.00. Eletrobras came off 1 per cent to \$159.40.

MEXICO CITY reversed opening gains to push the IPC index down 28.81 to 3,073.58 at mid-session in light volumes.

CARACAS took little comfort from the rally for international oil prices. By mid-session, the IBC index was down 7.02 at 2,719.51.

These fears were fuelled by news on Thursday that

at 5,904.3 and financials gave up 2.2 per cent at 8,718.2 after a torrid day for bank shares where debt scare stories sparked heavy selling.

Gold shares shot forward with the index advancing 11.7 per cent to 9,916.7 in spite of gains for the rand.

# Oil-price surge fuels recovery for sector

## EUROPE

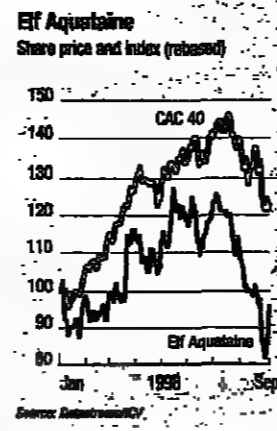
Oil shares gushed higher as Brent Blend, the international oil-price benchmark, continued to rally and mounting investor demand for recovery plays spilled across the sector.

Oil prices clawed back above \$13 a barrel for the first time in five months yesterday, adding to the boost that sentiment received this week from better-than-expected results from Total and Elf Aquitaine, the two big French producers.

Elf Aquitaine, the two big French producers, added \$1.40 to \$118.50 in the dollar, a soft day for the oil.

Italy's Eni rallied \$6.30 to \$127.23, also boosted by speculation that the company may seek an alliance for its downstream operations.

In Belgium, Petrofina gained \$1.40 to \$118.50, Norway's Norsk Hydro rose \$1.40 to \$118.50, and Petro-



Source: Reuters/Commodity

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Oils led the way up, but there were strong gains at Sanofi, which rose \$1.40 to \$118.50 in the dollar, a soft day for the oil.

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Degussa continued to fall in spite of a recovery elsewhere in the sector. Degussa finished \$1.40 lower at \$118.50, while Hoechst rose \$1.40 to \$118.50, and Schering up to \$118.50.

ZURICH was higher, but off its peaks after the banks gave up their early gains. The SMI index rose 69.1 or 1.1 per cent to 6,674.2.

CS Group lost \$1.40 to \$118.50 in the dollar, a soft day for the oil.

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ulation that the company might have lost a contract in Asia.

Support for the market was provided, however, by Roche, whose certificates gained \$1.40 to \$118.50, and Nestlé, which closed \$1.40 higher at \$118.50.

MOSCOW was higher on signs that the Russian parliament might confirm acting prime minister Viktor Chernomyrdin in his post. The RTS index put on 1.7 to 61.13.

The Duma, parliament's lower house, put off voting on Mr Chernomyrdin's candidacy until Monday and agreed to hold more talks with the Kremlin to end the political deadlock.

## FTSE Actuarial Share Indices

Index	Value	Change	% Change	Value	Change	% Change
FTSE Actuarial 100	1078.25	+0.36	+0.03	1078.25	+0.36	+0.03
FTSE Actuarial 100	1078.25	+0.36	+0.03	1078.25	+0.36	+0.03

|--|

## COMPANIES &amp; FINANCE

## PROFILE

## Bad week for the guru of emerging markets

But the resilient Mark Mobius invokes the rubber-band theory of investing and expects to bounce back, writes Jane Martinson

His face may have launched a thousand funds, but now he could be excused for putting his head in his hands.

Mark Mobius, known as Mr Emerging Markets to thousands of international investors, has had a bad week. Indeed, the year to date has been worse than any other he can remember, including 1987, when he launched the Templeton series of emerging markets funds just before a stock market crash.

"This time around it really is a big crisis," the 62-year-old American said from Hong Kong this week.

The emerging markets funds managed by Mr Mobius have fallen in value from \$15bn to just over \$10bn in the past 12 months, hit mainly by the continuing turmoil in Asia.

In the year to August, his flagship fund, the \$3bn (\$1.8bn) New York-listed Templeton Developing Markets Trust, fell 37 per cent, according to Lipper Analytical.

His \$70m Russia fund fared worse. Even with 30 per cent of its funds in cash, it still fell 48 per cent in the three months to June 30. Overall, funds in the Templeton Emerging Markets stable now hold 26 per cent of their assets in cash, the highest proportion ever.

Sharp market declines are not the main cause of complaint for emerging markets fund managers, however. Of greater concern are the rapidly changing rules in markets such as Russia and Malaysia which prevent foreign investors from withdrawing funds in hard currency.

This has sparked a corresponding crisis in confidence among investors who expected volatility but not what they regard as theft.

"We are now getting back to an era of expropriation of funds," says Mr Mobius. "This is the worst nightmare you can imagine for any investor."

In these circumstances, he does not expect his continuing faith in most of the 45 markets in which he invests to be widely shared. He says: "It won't get better yet, because there is a crisis in confidence and fundamentalists don't mean anything... people are saying 'I don't want any part of this at any price'."

In spite of this, Templeton investors, institutional and retail, have stayed remarkably loyal. Some \$100m of new money, mainly institutional, has flowed into the funds since the start of the year.

Mr Mobius, whose bald head and dedicated demeanour lend him the air of a guru, hopes investors will

continue to listen to his warnings that his funds invest for the long term.

He is, however, critical of the world's multilateral institutions as well as national governments. The Russian authorities have lost the trust of international investors, but the world's financial institutions should never have lent money without checking adequate investor safeguards were in place, he says.

Now he thinks international agencies are in danger of applying lending restrictions that are too tight on financial institutions in struggling economies. "You don't squeeze somebody when they are on their back," he says.

"At this point you've got to keep the patient alive." He attributes the failure of international institutions to deal with the crisis in part to the lack of staff with market experience in organisations such as the International Monetary Fund.

These recent travails all seem a far cry from the early part of this decade where emerging markets appeared to offer all the excitement, glamour and returns any investor could want.

Mr Mobius, a bachelor who looked like a stocky Yul Brynner and spent 11 months every year flying around the world, became

the personification of this brave new world for many investors.

He won a host of awards in the early 1990s as his funds provided spectacular returns.

Reviewers of his book, *Mobius on Emerging Markets*, published three years ago, called him the "reigning king of emerging market funds" and the "Indiana Jones of investing".

His face peers out of newspaper advertisements for his funds, while one particularly memorable television campaign in the US used Mobius in a spoof of *The King and I*, in which he enthused about the value to be found in far-away places.

One investment banker remembers a conference in 1994. "Mobius arrived late, having just hopped off his private aeroplane, wearing a white suit. It was fantastic - he looked like something out of Hollywood."

Mr Mobius's life before achieving this near-cult status also appears straight out of a boy's adventure story. A Brooklyn-born to German parents three years before the outbreak of the second world war, he has kept his German passport.

After gaining a doctorate in economics and political science at the Massachusetts Institute of Technology, he worked for a research organisation in South Korea and Thailand.

He fell in love with Asia and spent the next 20 years

working there, first for Monsanto. When the life sciences company wanted to ship him back to the US, he launched his own consultancy.

His work over the next 10 years included arms control and disarmament consultancy.

He calls his career as a fund manager a "natural consequence of my interests and training". He worked for two other finance groups before being snapped up by Sir John Templeton, the company's founder who is credited with one of the earliest "emerging markets" investments in Japan.

Mr Mobius has houses in Singapore, Hong Kong, Washington DC and Shanghai, but admits he never stays in them. He never takes a holiday, and a rigorous health regime helps him visit about 300 companies in far-flung places every year.

A breakfast with the FT during a fleeting visit to London last year enhanced the guru image.

Sitting in one of the capital's gilded hotels surrounded by half a dozen younger men, he ate fruit and spoke of the bargains to be found if only one was prepared to seek them.

His exotic image does not prevent him from being amiable, however. He inspires loyalty from his acolytes and comes across as a reasonable man. "The image of Mark Mobius as a one-man show is ludicrous," he says, crediting a team of 30 "bright and

enthusiastic" fund managers around the world.

He also admits to some mistakes and shows humility: "It would have been wonderful if we had waited before buying more [in Asia]. We always buy too early and sell too early. That's the history of us."

Mr Mobius, who invests his own money in his funds, says you have to be an optimist to invest in emerging markets.

He remains upbeat about all markets where he invests, except Russia and

Malaysia: "We are in this tremendous crisis and it's a wonderful time for us to find bargains." He is keen on Brazil, Argentina, Mexico, Thailand, Singapore and Turkey and a host of others.

"The great thing about travelling to these countries is that you meet the people and realise there is every reason to be optimistic," he says. But he tells investors he approaches bargains "like a porcupine makes love" - with great care.

Michael Lipper, head of Lipper Analytical, says:

"Mobius is performing exactly as I would have expected him to. He is a battle-trained veteran of declines."

After the 1987 crash, it took two years for the emerging markets fund Mr Mobius managed to bounce back, and this pattern could be repeated. Ever the optimist, he also speaks of the "rubber band theory" of investing.

"The further back it comes, the further it bounces the other way," he says.

## David Brown accepts £195m Textron bid

By Christopher Swann

David Brown, the gears and pumps business, yesterday accepted a £195m (\$322m) bid from Textron, the US industrial group, after running out of money to fund further expansion.

The bid, which values David Brown's shares at 280p, represents an 83 per cent premium over the closing price on August 28, the day before the group announced it had received an approach.

Chris Cook, chairman of

the UK group, said he had sought to build a group capable of meeting the growing demand for global supply contracts. But David Brown's high gearing and the pummeling meted out to small engineers by the stock market had capped the group's aspirations.

The £38m purchase of Union Pumps of the US in November left the group with gearing of 276 per cent.

"Whilst comfortable in terms of interest cover this did not provide scope for fur-

ther substantial acquisitions," said Mr Cook. "The weakness of our shares has prevented us from using paper to expand." Textron, based in Providence, Rhode Island, said it would use David Brown as "a platform to build a global fluid and power systems business".

Analysts said the deal could foreshadow further purchases of UK engineers by Textron, which recently raised \$3.9bn (£2.32bn) from the sale of Avco, its financial services group. At present, Europe accounts for 17 per

cent of Textron's turnover, but it aims to raise non-US sales to 40 per cent.

"There is an abundance of under-rated engineers in the UK," said one analyst. "Highly focused and well run companies such as Weir Group may now succumb to similar offers."

The deal coincided with the release of interim results at David Brown. Advantages of scale gained from the purchase of Union Pumps helped the group lift pre-tax profits 16 per cent to \$19.5m. Mr Cook said absorbing the

US business had enabled the pumps division to secure larger contracts. However, the UK industrial slowdown and subdued sales in Asia caused a 16 per cent fall in operating profits at the industrial gears division.

Profits were also dented by £1.1m of restructuring costs. Turnover climbed 27 per cent to £116.6m and earnings per share were up 31 per cent to 10.1p (8.3p). No dividend will be paid (2.9p). Shares were up 36p at 280p.

Lex, Page 24

## TLG agrees £321m offer from Cooper Industries

By Susanna Voyle

US corporate buyers yesterday continued their bargain hunting in the UK with two smaller companies accepting cash bids.

Cooper Industries, the Houston-based lighting group, said it was buying its British counterpart, TLG, for £321m (\$530m), while industrial group Textron of Rhode Island announced a bid for David Brown, the gears and pumps business, for £195m.

Analysts said the two agreed deals highlighted the vulnerability of small UK engineering and electronics companies - rocked by the strength of sterling and fears of an economic slowdown.

Andrew Bryant, with BT Alex Brown, said focused businesses with clear product lines looked cheap to US buyers. "There is a long list of US companies on their way over here looking to buy new arms for their businesses," he said.

The bid for TLG - the former Thorn Lighting Group, bought from Thorn EMI by its management in 1994 - is part of a wider consolidation

in the European lighting industry which is suffering from over-capacity.

Shares in TLG rose 17p to 166p - above the 160p offer price - prompting speculation that another bidder might be waiting in the wings. However, most analysts said that Wassall, the acquisitive industrial conglomerate that has built up a stake of more than 10 per cent in the business, was unlikely to bid. "Any other interest is most likely to come from the US," said one.

John Riley, chairman and chief executive of Cooper, said buying TLG - the second biggest participant in the European market after Philips - would help it build a global lighting business.

"Over five to seven years we have built up a significant position in the North American market," he said. "Now we see the opportunity to do essentially the same thing in Europe."

Mr Riley said that UK stocks were a good bargain for US companies at the moment and he did not rule out further acquisitions in Europe. "We are always

looking for acquisitions around the world," he said.

TLG has carried out plant closures in an attempt to tackle over-capacity. Mr Riley said the group had done a "very good job" and gone some way towards rationalisation, but admitted there could be further changes. He said it was too early to predict how many jobs might be lost.

One analyst said the two deals were part of a "steady trickle" of similar deals. "These are good companies suffering from the strength of sterling and generally unloved by the stock exchange," he said. With share prices as weak as they are, it would not be at all surprising to see more deals of this nature taking place."

Cooper's offer is at a premium of 45 per cent to the closing price of TLG shares the day before it announced it was in talks. It represents a multiple of 22.5 times earnings after exceptional items for the year to March 31.

TLG was advised by Dresdner Kleinwort Benson and Cooper by Warburg Dillon Read.

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## Hammerson takes stakes in French centres

By Michael Peel

Hammerson, the property company, has acquired majority interests in two French shopping centres and their management company for about £60m, continuing its strategy of developing retail and office buildings.

The announcement came as Hammerson, which holds about 37 per cent of its net assets outside the UK, revealed that interim rental profits rose 6 per cent to £22.4m, in line with analysts' expectations. The shares closed up 2p at 407p.

Ronald Spinnery, chief executive, said the company had not seen any lessening in occupancy of its UK retail properties even though shops had experienced poor consumer demand over the summer.

It had already leased a relatively high proportion of the space in two unfinished developments in Reading and Southampton.

He said demand for central London office space had been strong. Office developments constitute about 150m of the company's £450m development programme.

Mr Spinnery said rents had risen by an average of about 7.5 per cent this year, although he cautioned that the increase would probably slow.

He said: "There is a definite feeling, probably justified, that rental growth is not going to be maintained."

He said demand in Canada, where the company holds about 15 per cent of its

net assets, had slowed as some businesses suffered from the effects of economic turmoil in south-east Asia. Demand was expected to grow between 5 and 10 per cent this year, compared with between 15 and 18 per cent in 1997.

Overall occupancy at half-way was 96 per cent, compared with 97 per cent at the end of last year. The interim figure was depressed because it included a new development.

Pre-tax profits for the six months to June 30, including an exceptional profit of £2.6m on the sale of investment properties, were up 18 per cent at £36m. The interim dividend is 4.13p (3.8p), payable on earnings per share of 11.4p (7.9p).

## Comment

Hammerson is a sound business that is rejected by some investors because of its relatively high exposure outside the UK. That seems harsh, while the company may face problems in Canada, its interests in France and Germany offer some protection against economic downturn in the UK. Credit Suisse First Boston, the company's broker, forecasts a net asset value per share of 501p at the end of this year and 549p next. It calculates the share price is at a discount of 16 per cent to its current figure for net asset value per share, compared with a sector average of 13 per cent. That differential seems large enough to merit an investment.

## Boosey out of tune at £1.25m

By Christopher Swann

Advisory fees arising from the recent struggle to preserve its independence, coupled with weak sales in Asia, depressed interim profits at Boosey & Hawkes, the instrument maker and publisher.

Fees of £1.08m and a £172,000 restructuring charge contributed to a 28 per cent fall in pre-tax profits to £1.55m. Turnover in the six months to June 30 was static at £43.7m.

Richard Holland, chief executive, said Asian turmoil had cost about £1m in lost sales and he promised further retrenchment of the group's activities in Japan. Currency translation had shaved a further £300,000 off operating profits.

"Excluding special costs, rationalisation costs and the impact of translation, the profit before tax would have been 14 per cent higher," he said. "Given the weakness of

the Far East this is a robust performance."

The decline in Asia, which represented 30 per cent of revenues last year, was partly offset by buoyant conditions in the US and expanding instrument sales to Spain and Italy. "Our strong brands have helped us to divert sales out of Asia and into other markets with relative speed," he said.

Operating profits from the instrument division rose by 10 per cent to £2.92m. Boosey's publishing division, which has publishing rights to many of this century's best known classical composers, showed a modest drop in operating profits to £1.28m. The operation, which receives royalties in 30 currencies, is particularly vulnerable to translation problems. Mechanical royalties also declined - reflecting a falling off of classical CDs as consumers complete the transfer from vinyl recordings.

## RESULTS

	Turnover	Pre-tax profit	EPS	Dividends	Current dividend	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
City World	6 mths to June 30	1,528	(1,278)	0.457	(0.208)	2.21	(1.8)	-	-
David Brown	6 mths to July 31	116.5	(91.8)	8.159	(7.33)	10.1	(8.3)	-	-
Drinking Water	6 mths to June 30	4.71	(4.75)	0.159	(0.17)	0.95	(1.01)	0.6	0.2
Forbush & Watson	Yr to July 11	33.2	(32.7)	1.794	(3.224)	12.3	(22.7)	4	8.3
Globe Restaurant	6 mths to June 30	-	(-)	0.045	(0.028)	0.57	(0.37)	-	-
Hammerson	6 mths to June 30	60m	(62.2m)	36.9	(30.5)	11.4	(7.9)	4.13	11.9
Head	6 mths to June 30	52	(57.5)	2.21	(2.6)	1.7	(1.4)	-	-
Libro Supplier	6 mths to June 30	44	(37.1)	4.21	(4.04)	10.83	(10.17)	3.7	3.44
Panasonic Foods	Yr to May 31	4.64	(3.12)	0.726	(0.082)	0.327	(0.033)	-	-
Vicor	6 mths to June 30	80	(67.2)	18.1	(17.3)	25.7	(24.1)	4.3	14
Investment Trusts									

## COMPANIES & FINANCE


# Drott flotation placed in doubt

The group made an extraordinary Ecu258m gain on the reduction of its stake in a German business, which was offset set by Ecu258m added to provisions for low-interest risks in the life insurance business.

Semiconductor groups are at last starting to restructure, writes **Alexandra Hamey**

Japan, and particularly at companies with long histories, the mentality is that to withdraw from a certain industry is shameful," said


**Mazda**  
 80 



transaction and yesterday hurriedly arranged a meeting between Mr Schönning and Mats Mared, Drott chief executive.

year, Drott reported underlying profits up from SKr335m to SKr357m on increased rental revenues of SKr645m, against SKr627m last time.

Japanese semiconductor makers out. Analysts expect an improvement in chip prices as early as 2000 and an eventual recovery in global demand. NEC, Tosh-

**will be whether the industry can take the painful steps necessary to finish what it has started.**

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**See Lex**

bases, made the service unviable. However, Mr Weber said: "The new business system is something that we will eventually need in the future, when we can put it on an economic basis."

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## US REGULATOR OPENS WAY FOR MARKET SHAKE-UP

## Electronic trading of bond futures approved

By Edward Luce and Paul Solman

The Commodity Futures Trading Commission, the regulator of America's derivatives exchanges, yesterday approved the creation of the first electronic exchange to trade futures in US Treasury bonds. The move was greeted with dismay by the Chicago Board of Trade, the world's largest futures market, which is based on "open outcry" floor trading. The launch of the electronic exchange is expected to lead to a shake-up in the US fixed income derivatives market. It comes as futures exchanges in Europe and the US are under pressure to replace their pit-based trading with cheaper, electronic systems.

The new exchange, which begins trading next Tuesday, is a joint venture between Cantor Fitzgerald, the largest broker of US Treasury cash bonds, and the New York Cotton Exchange, recently renamed the New York Board of Trade.

Senior executives at the CBOT vigorously fought the application and yesterday attacked the approval of the Cantor plan, which they said disregarded the public interest. "The board of trade has lost all confidence in the credibility and objectivity of the CFTC," said Tom Donovan, CBOT president. He said the CBOT was "exploring all remedies", including suing the CFTC or challenging its re-authorisation as a regulatory agency. Privately, many in Chicago are worried that the Cantor exchange could undercut the CBOT's more expensive floor trading system. Last year the Deutsche Terminbörse, Germany's derivatives exchange, won majority market share in the 10-year German bond future from the London International Financial Futures and Options Exchange, which operated as an exclusive floor-based trading system. The DTF attributed its success to

screen-based trading being much cheaper and easier to execute than floor trading. Life plans to adopt a permanent daytime electronic trading platform next year. Cantor yesterday said the exchange would levy trading fees at about half the rate charged by the CBOT. The cost of becoming an associate member of the exchange would be \$1,000 - a fraction of the rate charged by the CBOT, it said. The exchange will offer futures contracts on the 10-year Treasury bond and also on the 10, five and two-year maturities. The CBOT's 30-year Treasury future is the world's most heavily traded derivatives contract. The CBOT said plans to link its own electronic trading system with the Eurex system - the product of a merger between the DTF and Swiss exchange - next year remained on track. But the CBOT also remained committed to keeping open outcry.

## U2 to sign \$50m deal for archive recordings

By Alice Rawsthorn

U2, one of the world's most successful rock groups, has reached one of the most lucrative deals in the music industry, with PolyGram, its record company, which is expected to earn the band more than \$50m in advances. The three-album deal, scheduled to be signed early next week, will allow PolyGram's Island Records subsidiary to release three Best Of U2 albums. The first, including recordings from 1980 to 1990, goes on sale in November. Other superstars, such as Madonna and Janet Jackson, have clinched \$50m-plus contracts but they have covered new material, rather than back catalogues. Paul McGuinness, U2's manager, clinched the deal for the four-member band against the backdrop of the \$10.4bn takeover bid for PolyGram by Seagram, the Canadian drinks and entertainment group. Seagram agreed the takeover with Philips, the Dutch consumer electronics company that owns 76 per cent of PolyGram, in May. However, it has had to postpone completion until it has secured clearance from the European Commission, now expected in late October. PolyGram's trading performance has deteriorated because of the unsettled state of its executives and recording artists since Seagram unveiled its surprise bid. Seagram is anxious to prevent PolyGram's condition worsening before it takes control. Philips needs to stabilise it to avert a further reduction in the bid price. It has already had to accept a \$200m cut in Seagram's original offer. The November release of an album by U2, which has already sold more than 97m albums, is guaranteed to bolster PolyGram's performance during the vital pre-Christmas sales period. The U2 deal is well-timed for Seagram. A large part of the \$50m advance is payable to the band on signing the contract next week, when PolyGram will be under Philips' control. However, the first of the three albums goes on sale in November, after Seagram expects to have assumed ownership.

## THE LEX COLUMN

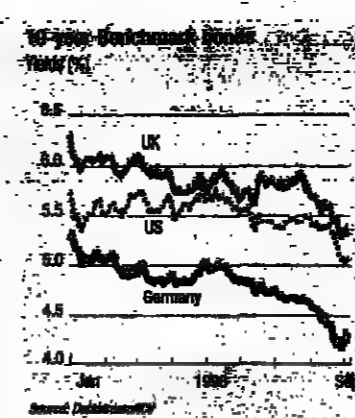
## Gentlemen prefer bonds

There is no need to panic; the bull market is alive and well. As long as you are looking at bonds, not equities, that is. Their haven status has propelled the big US and European bond markets to giddy new levels over the past few weeks. How much further can this go?

The rally has been underpinned by a dramatic narrowing of inflation expectations over the past year. The spread between 10-year Treasuries, yielding 5.05 per cent, and equivalent inflation-protected TIPS is now a measly 125 basis points - though that also reflects the illiquidity of TIPS. For UK gilts the spread is around 280 basis points. Since this spread has to take account both of investors' guesses at long-term inflation and a risk premium in case they are wrong, it is hard to see it being squeezed much further.

A further decline in real interest rates seems more plausible. After all, economic growth is slowing, the US is running a budget surplus and European deficits are shrinking. This has also restricted the supply of new paper. But with 25-year index-linked gilts yielding 2.4 per cent against 3 to 4 per cent historically, the gains here look limited too. In sum, the fundamentals suggest that bond markets are well supported at these levels, but no more.

The only thing that would justify another downward lurch in yields is global deflation and recession. In deflationary Japan, after all, bonds yield barely 1 per cent. And this is not impossible if devaluations spread to Latin America and China. Under such circumstances, the flight to quality would overrun any fundamentals. Treasuries, as the best credits on the planet and yielding 120 basis points more than bonds, would be the prime beneficiaries.



ment manufacture that is arguably more important to the wider economy. Take the supply chain. A chip plant consumes huge amounts of UK water and electricity. It may, as Fujitsu did, turn to UK suppliers for air handling units. But virtually all the highly specialist process equipment, such as photolithography kits, is made by American, Japanese or German companies. The UK even has to share the sourcing of silicon wafers with the US and Japan.

Inward investment by car companies, however, has seen a mushrooming of component manufacturers. Of course, chip plants do enable some technology transfer. Employees on the Fujitsu "shop floor" are computer-literate working in extremely delicate engineering environments. It may not have been a job for life, but for some it was a good one for seven years, which is a lot better than nothing.

## UK bids

Another day, another round of bids for smaller UK companies. With the FTSE SmallCap index underperforming the FTSE 100 by more than 10 per cent since June, prices continue to be attractive. Astonishingly, both yesterday's US buyers are paying about 80 per cent more than this year's lows for TLG and David Brown. Either they are overpaying or the targets are further examples of hidden talent in the smaller companies sector. The latter certainly looks to be true. SmallCaps are on a historic price-earnings ratio of less than 18 times, compared with about 20 for the FTSE 100. Pessimism about their vulnerability to the strong pound and a slowing UK economy has outweighed the traditional belief in their greater growth potential.

But even though this negativity is overdone, can such high premiums be justified? Both these trade buyers claim synergies. Cooper Industries says it will make \$40m-\$50m savings from the Thorn purchase. That alone is worth the \$100m premium to the pre-bid price. Tactron must reap the benefits of David Brown's international expansion to get a decent return.

It would be harder for a financial buyer to justify such prices, especially as increased awareness of risk is likely to raise its cost of capital. But in consolidating industries, UK stocks trading well below their historic highs should continue to attract their bigger rivals.

## Fujitsu

The closure of Fujitsu's plant in north-east England, though a bitter blow for employees, does not undermine the case for inward investment. In setting up plants, be they automotive or memory chips, foreign companies are not crowding out home-grown industries. UK companies threw in these particular towels some time ago, despite government bail-outs and subsidies that make most of today's regional development grants look like small beer. And even if chip plants were indigenous, UK owners would be unlikely to be any more sentimental about job losses.

In any case, the UK has hung on to the sort of inward investment such as car plants or medical equip-

## Citigroup

Sandy Wells, chairman of Travelers, must be wondering if his timing has deserted him. Over the past year he has pulled off two huge deals to transform his insurance group into the world's premier financial supermajority - only to find investors turning up their noses. Since mid-July, Travelers' stock has dropped an astonishing 47 per cent, while its merger partner, Citicorp, is down 49 per cent. Right now, the new Citigroup is being punished on all fronts: for its exposure to trading losses through Salomon Smith Barney; for its involvement in emerging markets

## Shares slide as Japanese steelmakers face big losses

By Alexandra Harvey in Tokyo

Japan's big five steelmakers said yesterday they expected to suffer heavy losses this year because of weak economies at home and in Asia generally. The announcement, following the collapse of Toa Steel, a subsidiary of NKK, sent steel share prices tumbling to their lowest levels since the beginning of the year. The profit warnings came just after the US International Trade Commission called for anti-dumping duties on stainless steel wire rod produced by six countries including Japan - US steelmakers had filed a complaint about this earlier this week - and iron and steel sector shares plunged 5.9 per cent on the news. Nippon Steel, the world's largest steelmaker, forecast an after-tax loss of ¥150m-¥250m, compared with a ¥690m (¥440m) profit last year. This is largely because of a decline in sales volume, the costs of

retirement allowances and valuation losses on securities holdings. The group suspended its interim dividend for a second year. NKK, the number two steelmaker, which is expected to suffer losses of ¥800m this year as a result of the Toa liquidation, said net losses would reach ¥930m, compared with profits of ¥14.2bn last time. Kobe Steel warned of a ¥4.8bn loss and announced executive pay cuts of about 30 per cent and the cancellation of its half-year dividend. It plans to step up restructuring by consolidating production and cutting staff numbers at its head offices. Kawasaki Steel and Sumitomo Metal both revised their earnings forecasts downward into the red, blaming weak demand in Asia and Japan. Kawasaki expected net losses of ¥610m, while Sumitomo said it would post a ¥100m loss. The bad news badly hurt stock prices, but analysts said

there were few surprises. Global overcapacity has lowered steel prices in recent years, just as demand has collapsed in Japan and elsewhere in Asia with the sharp decline in the construction and car sectors. Japanese steelmakers have scrambled to cut costs and production to keep pace with falling demand. In July, domestic shipment volume shrank 18 per cent from the year before, according to Morgan Stanley Dean Witter in Tokyo. Analysts said overcapacity would continue to plague the market this year, despite the contraction in output from 103.8m to 95m tonnes. Smaller producers, in particular electric furnace makers, were likely to be the hardest hit, analysts said. "The market shows the characteristics of over-competition. Everyone is losing money," said Toru Nagai, industry analyst at Morgan Stanley Dean Witter.

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FTSE 100	5199.5	(-0.5)	US DOLLAR	
Yield	5.32%		New York	1.0718
FTSE Europe 500	3700	(+1.03)	L 10718	
FTSE 40 Europe	2299.5	(-0.36)	London	1.0722
Nikkei	14,049.81	(-0.16)	Paris	1.0722
New York: S&P 500	7999.38	(-0.30)	DAX	1.0722
New York: Dow Jones Ind	7999.38	(-0.30)	FRF	1.0722
S & P Composite	97.18	(+0.37)	FF	1.0722
			Y	1.0722
IN LONDON MONEY			Z	1.0722
3-mo Interbank	7.75%	(flat)		
Libor 6m gilt	7.75%	(flat)		
US 90 LONG-TIME RATES			US DOLLAR	
Federal Reserve	6.50%		New York	1.0722
3-mo Time Rate: 90	4.75%		DAX	1.0722
Long Bond	10.51		FRF	1.0722
Yield	3.359%		FF	1.0722
			Y	1.0722
IN MONTH END US (Anyport)			London	1.0722
Bank Deposit	675.00	(1.5)	DAX	1.0722
IN OIL			FRF	1.0722
WTI Crude	21.07	(-0.01)	FF	1.0722
WTI Crude May	21.07	(-0.01)	Y	1.0722
			Z	1.0722

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# FT

## WEEKEND

SEPTEMBER 5 / SEPTEMBER 6 1998



Damien's domain

'What spectacular rewards lie behind the word business in the Hirst universe these days'



Discount dressing

'I resolved to see if my pounds and pence would make more of a bang if I spent them as bucks'



Lunch with Lacey

'He insists on fizzy water; the carbon dioxide in sparkling water generates an acid which kills off bacteria'

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# A flash in the pan

Until three weeks ago, the latest must-have item was a hand-painted toilet bowl. Now, says Chrystia Freeland, Russia's middle class feels betrayed

It is not yet 10am at Lushniki - an exuberant, grubby, cacophonous wholesale market in downtown Moscow, where business starts at dawn - but Lena is already changing her prices for the second time today.

"While I went to buy a cup of tea, the rouble fell even more and now we have to raise our prices," explains Lena, a pretty blonde in a polyester tracksuit, the unofficial uniform of Russian traders, as she props up new, hand-written cardboard price tags next to the Italian shoes she sells.

"One of the traders in my row has a pager and whenever the rouble falls further, he sings out like a canary. It's impossible to keep up with the rate. I've lost \$3,000 in the past 10 days just because I was too slow in increasing my prices," she complains. "Soon, I will have to close my business altogether."

Like everything else at Lushniki, Lena's business is a ramshackle operation - there's no cash register, not even a shop counter, just shoes and boots crudely tied to 15 tall metal racks cheek-by-jowl with competitors' wares and dispersed at strategic locations around the vast bazaar. But until three weeks ago, when the rouble crashed and the government defaulted on its debts, this unpretentious marketplace was the engine room, and perhaps even the soul, of Russia's capitalist transformation.

After seven years of painful market reforms, Russia has not made much progress in restructuring the industrial behemoths that were the foundation of the Soviet economy. But in the retail and consumer sectors, the transition has been a dazzling success.

Once a country in which oranges were a rarity, Russia has become a place where even the most obscure Siberian villager has access to the full capitalist cornucopia of goods, ranging from computers to kiwi fruit.

Lushniki, which sells goods wholesale to traders from the hinterland, is one of the driving forces behind this consumer revolution. This trash-strewn, foul-mouthed market is also one of the birthplaces of the Russian middle class, a fragile young species whose proliferation is vital if the country's nascent capitalist democracy is to survive.

Nuclear physicists, factory engineers, teachers, doctors, lawyers - the professional classes who lost their jobs or their salaries with the Soviet Union's collapse - have found salvation, and often the wherewithal, for a prosperous new lifestyle in the cramped stalls of bazaars such as Lushniki.

But today, as a mounting economic crisis eviscerates the rouble, paralyses the financial system and ravages the stock market, the middle class army of Lushniki is endangered.

"This is our death," complains Sasha, Lena's neighbour, as the market "canary" sings out the latest tidings of the rouble's

decline. "We work with an American businessman, he supplies us with goods, inexpensive, but good quality Taiwanese shoes and clothing. All summer long, we sold well and paid our supplier in roubles."

"But yesterday, when we brought him the roubles, he said, 'Why have you brought me sheets of worthless paper? The market is frozen, I can't sell roubles for dollars'," recalls Sasha, once an engineer at a weapons factory outside Moscow. "So now, he won't sell us the goods any more. And we understand. He just sits in his office all day long and reads the newspapers and cries."

These are the complaints of Muscovites who, just as in the Soviet era, remain a privileged class. Lena's customers from the provinces are even more worried.

Ira and Andrei are in their early 30s. She used to be an economist; he was a police detective. Since the collapse of the Soviet Union, they have earned their living by driving their dented blue Lada once a week over 800 miles of rough roads to Moscow, filling it with shoes and clothes at Lushniki, then returning home to Omsk, a city of 300,000 in the Urals, and selling the goods there.

Now, as they load a half dozen boxes of winter boots into their car, they fear it could be their last trip.

"We used to stuff our car with boxes, fill up the truck, and tie a few more to the roof," says Ira, with the ghost-white complexion and slightly shabby clothes of

Even as Ira prophesies a bloodbath, her features are calm, her voice soft

the Russian people. "Now, we're just buying a little bit, for ourselves, sort of like a bank account."

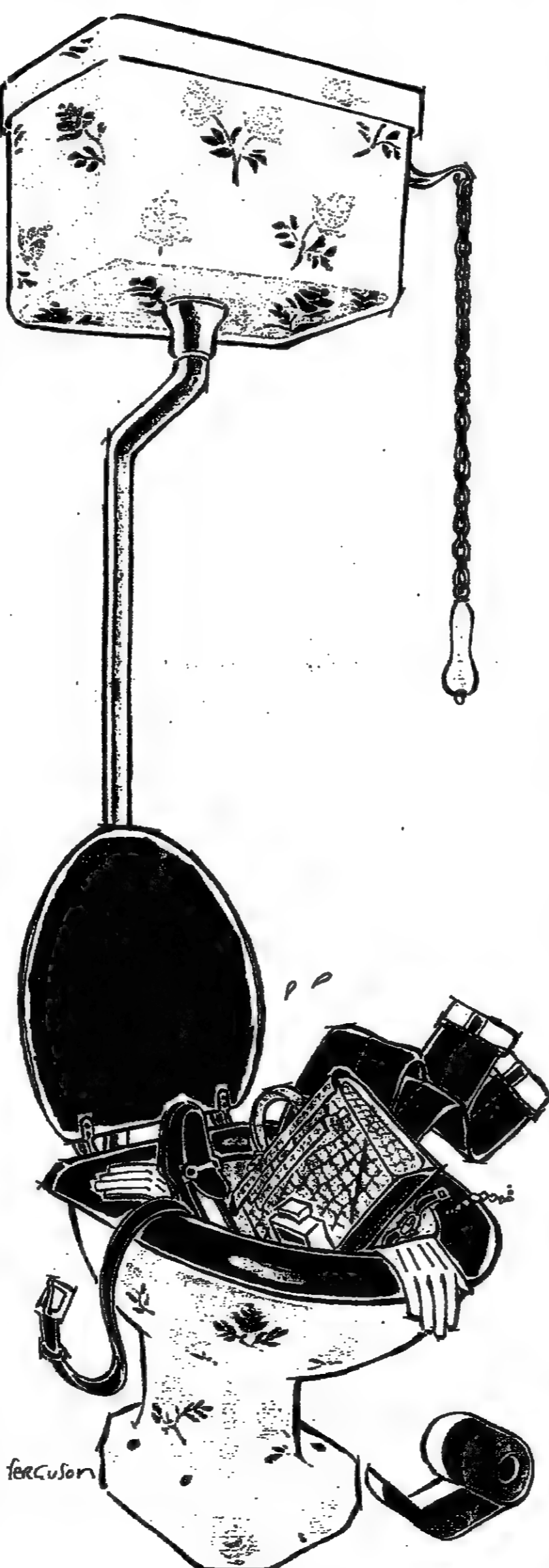
"We are going to have to stop trading. There may be money left in Moscow, but there is no money at all left in our town," she says.

"Wages haven't been paid at our factories for 10 months. We are just going to work in our garden and sit in our apartment and try to live until our stocks run out. And when they do run out - and our neighbours' stocks run out, too - then there will be a bloody revolution."

It is a horrifying prediction, but even as Ira prophesies a bloodbath, her features are calm, her voice a soft monotone. Her stoicism is due to more than just the legendary patience of the Russian people.

Right now in Russia everyone is, as Lena puts it, "in a trance". And that is because, until just three weeks ago, Russia's middle class had finally begun to believe in the Kremlin's promises of a prosperous capitalist future.

Even in the depressed provinces, some real improvements were starting



to be felt, Ira recalls: "People's standard of living was improving. At first, they would just buy any western good they could get their hands on, and only worry about the price. Then they

began to be more choosy. Personally, too, our life became much better than it had been in the Soviet era. I was even thinking of having a second child."

And in Moscow, many people were starting to feel the real beginnings of an economic boom. Three months ago, Lena says, her modest trading operation was turning a big monthly profit of \$10,000. She could

afford to take a summer holiday in Italy with her husband and two sons, their first trip abroad; she bought a 10-year-old Ford; and she dreamed of building herself a house in the country and sending her children to English boarding schools.

"We were making good money and life was full of possibilities," she says. "For a while, we forgot what Russia is really like."

Lena's solidly middle-class acquisitions were part of a rising wave of prosperity that made parts of Russia, especially the bustling capital city, seem like a new Klondike. A glittering bank of nouveaux riches - bankers, oil and metals traders, crooked government officials - were the most ostentatious avatars of the new culture of consumption.

But the whole city seemed to embrace the consumer revolution. Moscow, just 10 years ago a byword for Soviet dreariness, suddenly developed ambitions of becoming the global capital of capitalist excess.

This new spirit was captured by an advertisement, still plastered on billboards across the city, for the new must-have item - a porcelain toilet bowl, complete with hand-painted flowers.

For cosseted western sensibilities, flowery toilet bowls might seem to be a scold national icon, but as a replacement for the privations of the hammer and sickle it has a terrific appeal. Perhaps even more than an end to the gulag, it was these creature comforts which were President Boris Yeltsin's most powerful promise. Russia's doughty middle class believed him, and now it feels betrayed.

"In 1996, we all backed Yeltsin; we were terrified the Communists would come back to power and shoot us just like they did in the 1920s," Sasha admits. "Now Yeltsin is still president and no one is shooting us, but our business is still dead."

Those Russians who offered the Kremlin the ultimate gesture of confidence - holding their savings in roubles in Russian commercial banks - are even more disenchanted.

"I know I will never get my money," says Olga, a 35-year-old accountant who works in a western construction company, as she waits outside the locked doors of her bank. "We believed in the government when it said put your money in the national currency, in the national banks."

"Now, I will never trust a Russian government again. I only trust the International Monetary Fund. Why can't they send us some intelligent western government and send our own ministers to some desert island?"

For the bright young thinkers who spearheaded Russia's market reforms, losing the faith of the middle class is profoundly depressing. For more than a decade, these capitalist revolutionaries have seen themselves as holy warriors, fighting a jihad against the evil communist regime.

But now the truest practitioners of the new creed - the merchants and professionals of the middle class - are turning atheist and the revolutionary ideologies are wondering what went wrong.

"I feel very guilty and very sad," says Mikhail Berger, editor of *Sovodnya*, one of

Russia's leading liberal dailies and an early cheerleader for market reforms. "I don't want to say that we were mindless propagandists, but especially at the beginning, I and a few other journalists totally supported the reform effort. We believed in it."

"And now we face a horrible situation where everything the leftist opposition says about the government is turning out to be true," Berger sighs, worn out after a day of searching for an exchange point willing to trade roubles for dollars. "It is a terrible thing to have to agree with Zyuganov (the leader of the Communist party)."

Berger, whose own life-

style is being pinched by the rouble devaluation, warns: "The fundamental tragedy is that the very best, smartest people, who believed in reforms, may now become disenchanted with the liberal idea."

Remarkably, though, many of the Russians who are about to be impoverished by the financial collapse are not giving up on reforms - they have just lost all faith in the reformers. There's nothing wrong with a market economy, they say, the problem is that their government has been too corrupt and incompetent to create one.

They draw this lesson from their daily battles at the coalface of the Russian market economy - the stands at Lushniki. The Lushniki traders say the official rent they pay for a space at the market, \$5,000 a month for one of the big

trucks from which business is done, is matched by a parallel \$5,000 they have to turn over to racketeers working in collusion with the authorities. (More savvy than the trusting middle class, the mafia has never had much faith in the rouble - all payments are in cash dollars.) Policemen 'are bandits in uniform, eating free at private food-stands and collecting pay-offs.

The merchants of Lushniki believe that their market is a microcosm for the Russian economy as a whole and that the distorted business principles of their bazaar are, ultimately, what caused the financial crisis.

"Intuitively, we knew things would collapse," says Sasha. "The problem with our economy is that money always goes to the bandits with their Swiss bank accounts, not to doctors and teachers. The elite in our country stole everything. We think that the \$50n that Chubais got from the International Monetary Fund this summer should have been deposited directly in Zurich, for all the good it did us."

As the economic crisis mounts, Russia's leadership is obsessed by internal power struggles and the technical details of warring economic proposals. But their toughest battle will be one they haven't begun to face - to win back the faith of the bruised middle class.

Until they do that, Russia will again be a nation of disidents, people will flee from the rouble to the dollar, and dream of fleeing the country altogether.

"My deepest wish now is for my sons to live abroad," says Lena, who will close her business on Monday because it is suffering too many losses. "It is God's punishment to be born here. It's a terrible thing to say about your own land, but this is a country of thieves and idiots. In Russia, it is impossible to be a patriot."

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Condemned man  
'His presidency is dying of ridicule. What beats me is why this should be so'  
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PERSPECTIVES



Joe Rogaly

Don't wait to be laughed out of office

The naked dance should not disqualify him. But Clinton is being undermined by ridicule. It is time he resigned

It was at dinner in a cottage in the Cotswolds, Old England's precious rural retreat, that I first heard about the little naked dance. The respectable lady on my right told the story, smiling. She'd read it in a paper, she couldn't remember which.

The *dansuse* "started Clinton off", my fellow-guest, newly a grandmother, informed the assembled diners. The president, enraptured by Monica Lewinsky's choreography, completed for himself what she had begun. In the Cotswold version, no mention was made of an inappropriately placed cigar, although a large ersatz Havana appears in many retellings of the tale.

To my way of thinking the above pastiche should not weigh against Mr Clinton, although if it

is verified it certainly will. Watching someone prance about in the nude should not be a disqualification for office.

It could even be beneficial. Kjell Magne Bondevik could have been cheered up by a little naked dance. The prime minister of Norway might then have been less depressed; he might not have felt obliged to take a week's sick leave.

The difficulty for the president is that such stories, accurate or not, are being infiltrated into our minds. Like my dining companion, we are all receivers of titillating newsbites sold to us by sanctimonious, finger-wagging, purring hypocrites in the US media.

Not all of them are drunks, liars or adulterers, but we can be certain that some are. This powerful crew has implanted tiny

video in our skulls. The alien devices constantly replay the cigar scene, or the undressed shimmy clip, or both.

We should be focusing on Mr Clinton's unpromising visit to Russia, his significant contribution to the cause of peace in Ireland, his dubious bombing of Khartoum, his imperfect stewardship of the superpower upon which we all depend. Instead, we are invited to picture him as a failed sperm donor.

We know the unhappy result. His presidency is dying of ridicule. What beats me is why this should be so. Perhaps one reason is that the Comeback Kid is running out of time. Halfway through his second term every president becomes a lame duck. Mr Clinton would be approach-

ing that point soon even if his personal life had been without any perceived flaws. Now he is prematurely lamed.

Even if he stays the distance he will be out of the White House before our memories begin to fade. When they do, it will be too late. You may recall the tapes said to be of telephone conversations between the Prince of Wales and Camilla Parker Bowles. They contained sentiments appropriate to a love affair. Widely published, they were the cause of much sniggering. That was nearly six years ago. Today, Prince Charles no longer looks ridiculous.

Nor does Jimmy Carter, although the former president once famously confessed that he had committed adultery in his heart many times. "This is some-

thing that God recognises I will do," he told *Playboy* magazine in 1976. "...and God forgives me for it." Mr Carter was much mocked at the time.

Unbelievers might concede the truth in the Carter view of nature. Humans are genetically programmed to entertain and, where possible, live out fantasies about the opposite sex - always excepting, of course, you and me.

The English were well aware of the promiscuous adventures of an earlier, 18th century, Prince of Wales. Many salacious details were rehearsed. The "voluptuary" was attacked in James Gillray's savage caricatures. The Crown survived.

The French, as we know, are sophisticated about such matters. The late president Mitterrand sat comfortably in his skin,

despite being the father of a child by his mistress.

All very well, you may say, but what about the lies? The president has admitted that he prevaricated about his relationship with Miss Lewinsky. So? In most circumstances, it is far better to kiss and not tell, or even to camouflage one's inappropriate cud-dles, than to sell the story to the highest bidder. If the original deed is Mr Clinton's private business, there is no affront to the state in his ineffective attempts to keep it quiet.

It would be quite different if the allegations against him of corrupt financial practices - as in the Whitewater affair - were proven, or if he were to be found guilty of abusing his office for personal or political gain. At present he stands condemned as

a serial liar, which is another way of saying that he is a successful politician, a bearer of heavy responsibilities.

Having said all that, I must concede the central argument in favour of a Clinton abdication. Until now a consistent proponent of his staying on regardless, I have turned.

For no one's authority can long survive sustained ridicule. This is true even when the object of derision is blameless. The late Harold Macmillan was driven to resign from No 10 Downing Street after one of his ministers slept with a prostitute and lied to Parliament about it. The prime minister affected to be an innocent, unaware of the goings-on around him. He was laughed out of office.

Joe Rogaly is a columnist

Lunch with the FT

Avoiding poison on your plate

Richard Lacey chews the cud with Christian Tyler

Richard Lacey is probably the last person you would want to take out to lunch.

For he is the scientist who warned against precooked meals and microwave ovens, who raised the alarm about listeria and salmonella, and who predicted that mad cow disease would jump from cattle to people, and kill them.

As if that were not enough, the eminent food safety fanatic has called his latest book *Poison on a Plate* (Metro, £12.99).

But the news is not all bad. In his epilogue, Lacey forecasts that in about 20 years, supermarkets will have declined and the high street butcher, baker and greengrocer will have revived.

The Cassandra of the Kitchen certainly lived up to his reputation when we had lunch last week.

We met for drinks on the terrace of Pool Court, a Michelin-starred restaurant on the River Aire in Leeds, the city where, until his recent retirement, Lacey was professor of microbiology. This was once a derelict and dangerous area; I had scarcely finished admiring the redevelopment around us and the sparkling stream rushing beneath our feet when Lacey observed that further upriver "they" were still tipping "faecal matter" into it.

The professor was wearing a red tie emblazoned with blue-black cows' heads. He got it from Texas, he told me, where beef ranchers sued the TV chat show queen Oprah Winfrey for saying on air she would

never touch another hamburger. Lacey supplied expert testimony on her behalf, which helped her win the first round.

Over his glass of Pimm's, Lacey told me that Pool Court was his favourite restaurant. But it soon became clear he was not going to make life easy for them.

When I suggested the salmon, for example, he pulled a face and gave me a short lecture on the perils of fish farming. Finally, we agreed on crabmeat "served two ways" as starters; to follow, he chose lamb and I went for sweetbreads. I should have known better.

"Do you know what they are?" the professor asked instantly.

"I'm not sure," I said. "Some part of the stomach, I think. Anyway, I love them, so I don't really mind what they are."

"They've been banned," came the lugubrious reply. "Apart, that is, from those from very young animals."

"Oh, really? Does that mean I should leave them?"

"I don't know. It depends where they come from."

We asked the waiter, who said cheekily: "Now you're asking. I will find out."

The professor explained that sweetbreads are the pancreas, or thymus, of the animal, adding: "I'm very mean, aren't I?"

"I can take it," I said. In fact, by this stage I was more concerned that the restaurant would take offence. But when the manager appeared, he was smiling. "Sir, the sweetbreads. They are Dutch. Is that good?"

"Er, yes. It's better," replied the professor.



Richard Lacey: My advice for those going abroad is to drink weak fermented drinks or sparkling bottled water

Lacey can be abrupt and indistinct, and seems sometimes reluctant to look one in the eye. With his crumpled trousers and straggly grey hair, he could easily be taken for the absent-minded professor of popular imagination. He has been called worse things, among them "maverick", "extremist" and "scaremonger".

When I remarked on the big Tetley's brewery we could see across the river, Lacey began telling me that other brewers had started making bitter with imported hops (Tetley's uses English hop pellets), which was why their ales had less flavour and why so many people had switched to lager.

Why is he so outspoken? The answer to that question is complicated. Partly it is his demanding nature, partly his training as both a medical doctor and a research scientist, partly his dismay at the inaction of the authorities, partly his

love of good food. "Bad quality and danger go hand in hand," he said. "That's why I wanted you to eat here."

It surprised me to learn that he eats out regularly, and used to write a food column for the Yorkshire Evening Post.

"That's courageous of you," I said.

"Well, I always check the kitchens."

"How do you mean?"

"Go and have a look."

"But what do you look for?"

"The most important thing is the number of staff. It's a sign that the food is fresh. And the fewer microwaves the better. They have two small ones here, but even the best restaurants have to use them for certain components."

"You haven't checked this kitchen, have you?"

"Yes I have. Just done it."

We went inside and found our table. The place was quiet. But there was to be no

peace yet. Offered mineral water, which was all he wanted to drink, Lacey insisted on the fizzy variety.

He said a survey done by his laboratory had showed there were more bacteria in bottled water," he concluded. I wondered how this would go down with the Evian company, whose health award the professor won in 1999.

Lacey sees himself as a reluctant crusader, shocked into action against cynical politicians, lying civil servants, cowardly fellow scientists and sensation-hungry reporters. In 1990, he famously warned a parliamentary committee that bovine spongiform encephalopathy (BSE) could jump species, with the words "if our worst fears are realised we could virtually lose a generation of people".

He seems to have been right about the species jump, but not (yet) about the numbers. A new variant of the deadly Creutzfeldt-Jakob disease has struck down at least two dozen people in Britain. Lacey now thinks the rate of infection from cattle will be lower than expected (it has been found

that only about a third of the population is genetically susceptible) but that the rate of subsequent transmission will be higher.

The price of becoming the media's favourite expert on food safety, he said, was that he was only quoted these days when he was preaching Armageddon. "There are many pseudo-scars, like the one recently about milk. But when I said there was no problem, the item was cut from the broadcast."

I asked him how his wife and daughters had coped with the notoriety.

"I think 'notoriety' is a bit strong," he said. His wife had been upset when the farmers became aggressive. Their gates were removed, there were graffiti, and one winter an unfriendly neighbour in a bulldozer dumped a 15ft-high pile of snow in the drive. "Fortunately, he didn't realise we had another exit," he said. But now the farmers were com-

ing to him for advice.

As for himself, he admitted to some after-effects. "I've become a bit anti-social. Non-communicative. I've always tended that way, anyway."

"Perhaps you were a bit naive," I said.

"Maybe. But if I hadn't been naive maybe I wouldn't have got angry. So if that is the case, it's something to be proud of. Because I wasn't born cynical, I became cynical."

"What do you eat for a real treat?"

"Scrambled eggs on fried bread. Very bad for you," he said cheerfully.

Food fascism is a bore. I reflected as I paid the bill: perhaps its only merit is that it proves how spoilt we are, that we are living in a society of unparalleled peace, prosperity and good health.

On the other hand, if Prof Lacey is right, I - like a lot of other people - will have to eat my words.

Dispatches

Wails of an endangered species

Hunters in Norway fear for their livelihoods if a further moratorium is imposed. Tim Burt reports

The elderly vessel drifting silently on Vestfjorden does not look much of a killing machine. In places, the Nybraena's paintwork is streaked with rust and the wooden deck is scarred from Arctic winters chasing cod.

But when the winds ease and a weak summer sun rises over Lofoten, the necklace of islands off northern Norway, the crew of the Nybraena turn their attention from North Atlantic fish stocks to larger prey - whales.

For two months this summer, the Nybraena and more than 20 other fishing boats have left the rugged shelter of Lofoten primed with grenade-tipped harpoons and powerful winches - capable of hauling mammals the size of a truck on to a floating carvery.

It is a painstaking business. Jan Odin Olavsen, joint owner of the 65ft vessel, says the most important tool of the trade has not changed since he started whaling in 1958. "You cannot use electronic instruments or sonar to find whales - the sound waves frighten them - you must rely on your eyes."

The five-man crew on his boat, including his brother, son and son-in-law, take turns to scan the ocean for signs of minke whales

breaking the surface. The mammals, the smallest of the baleen whale family, are hard to spot, and members of the Olavsen family each spend up to six hours in the crew's nest - more often than not without success.

Fifteen times this summer, however, their vigilance has been rewarded.

Cutting the engines, the Nybraena floats stealthily across a calm bay the colour of gunmetal. It is perhaps no more than 200m to the shore, where the steep mountains of Lofoten rise up like granite meringues whipped into peaks.

The hunt is made easier by the natural curiosity of the minke, which mostly swim alone or in groups of three or four. Unaware of the danger, they often swim up to the boat, sometimes nudging it gently.

"We go very slowly so as not to scare them," says Olavsen. "The

best way is to shoot from side-on to hit the breast. The back is too thick."

As the boat idles gently, the crewman at the harpoon fires. The report echoes off Reinebringen - the mountain nicknamed "the chest" - which dominates the skyline above the fishing village of Reine. The harpoon snakes out wildly and the grenade's pentrite explosive detonates about 40cm into the whale's side.

"It is really a shock grenade and usually it kills them immediately," says Olavsen, who also runs a small whalemeat and fish-processing factory on the islands.

"If the animal is still moving, you haul it first into the boat and then use a rife into the brain."

Once on board, carcasses weighing up to eight tonnes are carved into chunks and the meat left to cool on deck for 24 hours before being stored in the hold.

This summer, Norwegian whalers have been awarded government quotas to "harvest" 671 minke whales. When the country resumed commercial whaling in the face of concerted international opposition five years ago, the first quota was 286.

Appalled by the trade, some environmentalists decided to take matters into their own hands, attacking whaling stations and attempting to sink vessels - among them the Nybraena. That forced some boat owners to take out war insurance and describe themselves as terrorist victims.

With some justification, environmental groups scoff at such claims, pointing out that the only real victims are the whales.

In spite of such criticism, Lofoten's whalers remain disaffected with the quotas and do not seem to have much time for the inter-

national Whaling Commission, the United Nations body charged with regulating the industry.

"We cannot understand the love of whales, they are no different from cattle for us and we are simply farming the sea," says Sivert Sivertsen, a retired whaler in Reine, the 400-strong community cut off for weeks at a time during the avalanche season.

The obduracy of the islanders reflects a more serious deadlock over the future of commercial whaling. For several years, the commission's agenda has been affected by countries opposed to any resumption of the whaling - led by the UK, US, Australia and New Zealand - while Norway and Japan have chosen to ignore the moratorium on hunting or maintain their catches are for scientific purposes.

Some scientists now believe that stocks of minke whales - which were never pushed to the

brink of extinction - have reached about 100,000 and can sustain a limited harvest each year. But international pressure groups remain implacably opposed to the cull, arguing that whales are intelligent marine mammals, which should be protected and granted sanctuary.

For the past year, Michael Canny, the Irish president of the commission, has been seeking a compromise that would allow tightly regulated catches in coastal waters - providing the meat is only for local consumption - while imposing a comprehensive ban on exports and hunting in international waters.

So far, most NGOs and whaling groups remain opposed to the plan. Anti-whalers argue it would sanction an immoral trade, while the whalers claim the proposed restrictions threaten their summer livelihood.

The Norwegian government,

which regulates the country's whaling industry, fears that failure to agree a deal could lead to the breakdown of the commission. "Either there will be a compromise which we can live with, or the IWC will whither away," says a government spokesman in Oslo. "I cannot see a situation where things continue as before."

More than 1,000km to the north, the Lofoten islands say they will campaign hard to protect their way of life. Jan Odin Olavsen, who is also local chairman of High North Alliance - a pressure group representing whalers - fears a total ban would lead to increased unemployment and an exodus of the already sparse population.

Surveying the hooks and grappling tools at his family whalemeat factory, he says: "You don't get rich in whaling but it is important to this community. Everyone has got us wrong. We don't want to destroy whale stocks - that would be crazy - we want to preserve hunting for the next generation."

If the commission can achieve a compromise, he should get his way. But at present, a resolution to one of the world's longest-running environmental disputes looks far from certain.

## PERSPECTIVES

Art, business and immortality: Damien Hirst talks to Peter Aspden about his work, his restaurant and his forthcoming limited edition book project

**D**amien Hirst's office lies in the middle of Bloomsbury, the merest grain of an unfortunate sheep away from the British Museum. His own viciously controversial art has few obvious reference points in that temple of high culture; yet the scene that greeted me inside his elegant headquarters, called Science, was not unlike a classical frieze: Hirst in semi-recline on a voluminous sofa, propped on one elbow, surrounded by chums, all of them seemingly oblivious to the intrusion.

The artist stood up and started playfully to peel the T-shirt off a complicit friend. If the desired effect was a touch of fin-de-millennium decadence in the heart of the city, they were making a spirited start. But that was as raunchy as it got. We were swiftly down to business. And what spectacular rewards lie behind that particular world in the Hirst universe these days.

Hirst's latest venture into the opaque waters of art and commerce is a film publishing project, in conjunction with the Scottish publisher Canongate Books. The artist has designed a limited edition version of Robert Sabag's 1976 cult classic *Snowblind*, the engrossing, wittily told tale of American cocaine dealer Zachary Swan, which has been out of print for several years.

So far, so respectable. But there is an inevitable twist of contention about Hirst's design: the book is bound in a mirror jacket; inside it is a mock credit card bookmark; and cut into the pages is a hole containing a rolled-up \$100 bill. All you need, in other words, for a successful communion with the white powder.

Canongate is producing 1,000 copies of the book, and selling them at £1,000 each. Several hundred are already accounted for. It would be a big surprise if Canongate publisher Jamie Byng had many left on his hands after the book's launch later this month. As he said drily: "It is the kind of thing that will go down well in the movie world." Not to mention becoming an essential fashion accessory for the drug dealer.

Hirst was equally excited. "I love the book. It is a great story. His involvement is a great fortuitous. Byng mentioned to a mutual friend he was publishing the book; Hirst knew the work, had been looking for a copy, and instantly offered to design the jacket. From there sprang the idea of the limited edition. Hirst's inspiration for the design came from Agatha Christie. 'I loved the old idea of the gun being hidden inside a book.' Hence the \$100 bills (each of which will be numbered) slipped into the text."

Zachary Swan is very much a hero in Sabag's book. He worries touchingly about his operatives being caught, he refuses to deal in "bad" drugs such as her-



The Mirror Crack'd: Damien Hirst's design for 'Snowblind' - mirror jacket, mock credit card, hidden \$100 bill - was partly inspired by the Agatha Christie mystery

Colin Jones

## A book, to judge by its cover

oin, he outsmarts the law with gleeful regularity. Cocaine itself is presented as a cool substance, one that "reinforces all those character qualities that have come to be admired as truly American: initiative, drive, optimism." This was a portrait of the drug dealer as romantic outlaw. Is that what appealed to Hirst?

"I don't think it says that cocaine is cool. If it did, I wouldn't have done it. In a way, it's not about cocaine. It's about crime being creative, if it's done well."

But surely his design was, at the very least, inviting purchasers to partake of a Class A drug? He was, after all, supplying the full kit.

"But everyone's got a credit card and a banknote in their pockets. You don't have to pay \$1,000 to get the full kit. If anything, I'm putting people off because my kit costs a thousand quid. I'll bet you thousands of pounds that no one ever uses the book to take drugs."

It was a bet I might have taken but unfortunately Hirst continued without pause. "It is going to be fine-wrapped, it will be treated as an art work. It'll be Don't you do drugs on my Damien Hirst book! Go to the bathroom and use the mirror in there."

Is that what he wanted?

"No, I think it would be good if

people used it. But it's also a humorous thing - is it a book, a work of art, a 'Damien Hirst'?" The *Snowblind* project is an example of the way in which Hirst's work has diversified recently: he has famously gone into the London restaurant business, providing the designs for his Notting Hill eatery, Pharmacy, which is soon to be floated on the stock exchange, and set up a record label, Turtlecreek, which released the commercially successful but hardly distinguished World Cup song "Vindaloo" by Fat Les.

Did he see these ventures as a logical progression in his controversial career? "I don't know. I feel as confused as I was on my first day at art school and I've just realised that's great. People say I have made it, and I'm thinking 'Am I a genius or is the art world a pile of shit?' And it is the art world which is a pile of shit. There seemed to be some dissatisfaction here. Hirst went into something of a rant: 'Have you ever tried to buy anything in an art gallery? You can't even find out how much things cost. You go in and it is all 'Who are you?' You can't afford it. Imagine if that happened in a McDonald's. 'Art is popular right now. It has gone outside the galleries. It's not about dead artists any more.'"

Was he then consciously creating a Damien Hirst brand? He winced at the suggestion. "With the label, we just want to have a laugh. Artists have always wanted to be pop stars and pop stars have always wanted to be artists, but that's dumb because it is all art. Where they meet in

**I'm a lunatic. If you take a risk and it pays off, people say you're a genius. But you're not - you're mad'**

the middle, that's where it makes sense. It feels right." And the restaurants? "I just like making great places to be in. I love walking into a room and people are just eating dinner and enjoying themselves. It is hard to keep an installation or an exhibition in one place for more than four weeks. But this is going to be around for a lot longer than I am. Somebody came up to me at Pharmacy and said 'What's it all about then?' and it was an abso-

lute joy for me to say 'Shut up and eat your fucking dinner.' So he found the art world pretentious? "Art is about art and the art world is about making money. You should be able to get Damien Hirsts and Picassos at Harrods. But the artists should produce more and then everyone could have what they wanted."

But just a second: wasn't £1,000 a lot to pay for a book? And was he not producing a limited edition? "But that is quite a special thing. It is worth what people pay for it. It is the right price. I'd pay it."

How about the infamous medicine cabinet, which sold for \$188,500 at auction earlier this year?

"Amazing isn't it? People kept coming up to congratulate me, but I had sold it for £500."

Wasn't its eventual price just silly money?

"Everything is worth what people are prepared to pay for it. There is no such thing as a silly price. It is a very serious price, if people pay that kind of money for it."

Critics talked of Hirst's marketing genius as much as his artistic merit. Did that annoy him?

"But I don't know anything about marketing. I'm a lunatic. Once you take the risk and it pays off, people say you're a genius, but you're not, you're a

mad person. You can't go to the bank manager and say 'I know I am overdrawn, but don't worry, I've got the brilliant idea of putting a lobster on a telephone'. I don't believe in genius, I believe in freedom. And if you don't let money ruin your life, you can have freedom."

"You can have a 180ft yacht and park it, but there is always someone with a 161ft yacht who will park next to you. I have a house in Devon. It is my home, it is great. I'm not into 180ft yachts."

But being such a hot name, was it not sometimes a temptation to...?

"To do what?" Hirst bristled. "To produce anything, knowing it would sell for a huge price?"

This touched a nerve. "But why would I bother? You work your bollocks off, why would you suddenly have the overwhelming urge to start selling shit? I can sell anything, but why would I want to? I sell art. I could go out there right now and get a skip and sign it. But why would I want to do that when I am doing this?"

"And if I did sign that skip, maybe it would be a good idea. Maybe I should. But why would I suddenly have an overwhelming urge to rip people off?"

"I have an overwhelming urge to make great places to be in, to

brighten people's lives up." But didn't people just get a buzz from making money?

"Getting a buzz from making money is art, ripping people off is not."

My head was now spinning from Hirst's engaging mix of contradictions, non-sequiturs and witty polemics. He talks in short, staccato bursts, with no little passion.

But at the end of our conversation, his voice softened and he said something quite touching: "I am doing what Rembrandt would have been doing if he had been alive today. I am not inventing anything, I am just following. Conceptual art is a serious thing, part of the history of art. It is everywhere, everyone's using it. And artists are still getting all the crap for it."

He then introduced me formally to the contents of his office: eight Andy Warhol silk screen paintings of an electric chair, an 18th century cast of a horse's leg. It seemed to cheer him up. "I love art," he suddenly declared, swivelling on his bright red dentist's chair. "That man is dead," he said pointing to the Warhols, "but his work is still here."

Could Damien Hirst, the artist obsessed by death and decay, finally be developing a healthy interest in immortality?

**T**he park warden patted my dog nervously. He was a very young man, and he stood beside a very small car. It was an agreeable little car, but it failed to give him the four-wheel-drive machismo he had evidently hoped for when he applied for the job.

"Now what breed of dog would he be, sir?" He was hoping the hound wouldn't turn out to be a pitbull. Like most people, he would not have recognised a pitbull if he had tripped over one, but he knew it ranked second only to a piranha for ferocity.

I have to confess there have been moments when I have my own doubts about the dog's lineage. She was picked up as a stray three years ago and I have always wondered why such an affectionate and handsome animal was dumped. Perhaps she had eaten a child or two. Perhaps I am next.

I shared none of this with the hesitant warden. He was now smiling in terror as my dog pushed past him and clambered into his car, barking large in the back seat and daring anyone to remove her.

"It's just that we have some new laws relating to dogs, sir," the warden went on manfully, pulling out a sheet of paper. "I was wondering if you'd seen them?"

This can't have been easy for him. I was sporting the surly unshaven look that most owners of big dogs assume when approached by people in authority. Behind him, my slavering hound had blocked his only means of escape. And here

## The warp and woof of dog-owning

Capering canines are not life's only risks, says Tim Griggs

he was, having to hand me the latest list of anti-dog regulations. For the record, this is what they said. An owner is liable if his or her dog is allowed off the leash in a public place. If the dog defecates, if it "repeatedly threatens" anyone, if it goes near a children's playground, if it enters a place where food is prepared. And so on.

And it's all perfectly reasonable. Dogs are a nuisance. I know mine is. She has traumatised the postman so deeply that we pay for a PO Box number so that he doesn't have to come near the house (although I believe he still has nightmares about it).

She occasionally beats up other people's dogs. She loves small children so much that she will flatten them with the weight of her affection. She is the only dog I have ever known who will not only chase cats, but actually devour them. She is probably everything that most people object to: bolterous, ill-trained and thoroughly stupid.

But there is another factor. The risk factor.

Risk is natural. It is the downside of all human activities. While we are all entitled to expect that any risk should be small and kept that way, we



enter some very shady areas indeed if we try to reduce it to zero, and especially if we try to do so by legislation.

Scuba diving is dangerous; driving is dangerous; being a pedestrian is even more dangerous. But these activities are not banned. Nor should they be.

The fact is that we accept natural risk without question in a great many areas of our lives: in every sport, on every journey

we undertake, in every encounter with a stranger. We do not and cannot expect to escape it entirely. Even to attempt to eliminate it can reduce life to an absurdity. Taken to its extremes it amounts to a kind of paranoia and screws our attitudes towards what we are prepared to consider "normal" standards of behaviour. People have grown so neurotic about child abuse, for example, that it would be a brave man indeed who would take a lost

little boy into his arms while the child's parents are being sought. Or a brave teacher, we are now told, who rubs sun protection cream on to a young pupil's legs. Perhaps that does prevent the occasional awful crime; it also means that a great many acts of simple kindness can no longer be offered or accepted.

At least people where I live can now feel safe in the knowledge that we have laws in place to say you can prosecute a man whose attack-trained rottweiler tears your leg off when you're out for a jog.

But what we also have is a law which prohibits a 10-year-old boy from going to the park and playing with the family Labrador. The price of eradicating risk is high.

Not long after my encounter with the warden, I met an elderly German woman with an arthritic spasm. Down by the riverside. We both became felons by letting our dogs off the leash. I threw a ball for mine way out into the water, at which the old lady gasped in horror.

"You should not throw it so far," she lectured me sternly. "There are currents." She pointed to the big enamel sign which warns people of just that. "I know," I replied, "but my dog can't read."

She was shocked. "But you must tell her!" she commanded. I was stuck for an answer to this withering logic, and as I hesitated, the old lady caught sight of my hound, thrashing through the bright water, crazy with joy and life and freedom. "Ah, but then," she said, almost enviously, "vott is life without risk!"

Microflight 987 Rory Jeffes

## Welcome variety

Rory Jeffes and Storm Smith are flying two microflight aircraft from India to the UK in a fundraising project sponsored by the Financial Times.

**W**hen you are flying a third of the way around the world, you find that the varied landscape makes less of a lasting impression than the people you meet. They can make your passage easy or otherwise, and always leave an indelible imprint. Arriving at Queen Alia international airport in Amman, Jordan, for example, after a six-hour flight from Saudi Arabia, the most turbulent we had had on the trip, we were completely exhausted. There, we were confronted by a ground handler who clearly thought we had arrived with the sole purpose of causing him trouble. He was not about to put himself out.

We managed to persuade him to drive us to the hangar owned by Royal Jordanian Airlines, although he said we would not be allowed in, as the King's private aircraft was kept there. Of course, we could keep our machines in there overnight for the usual fee of \$6,000 an

aircraft. I said it was a shame, when the King had shown such a personal interest in our flight, that the hospitality of the hangar should appear less than wholehearted.

Ten minutes later, a car screeched to a halt beside the microflights, which were carried safely out of the wind at no cost. The people who worked in the hangar, then, showed us probably the best and most sincere hospitality we have enjoyed anywhere. We ended up having to sleep in the hangar and the staff even raided the airline's blanket and pillow store for us. We made some lasting friendships there.

We are now nearly at the end of our adventure, the culmination should be our arrival at Farnborough next Tuesday, as part of the International Air Show - a fitting climax.

Microflight 987 is raising money for CRY India, a charity providing education for children in India most marginalised from the state system. Details can be found at <http://www.microflight.com>. Cheques made out to "Microflight Charity Fund" may be sent to Microflight 987, 8 Elton Road, London SW15 9EU.

BOOKS

# The truth behind the image

The world has been misinformed about Vietnam for too long, writes Jeremy Grant

Vietnam. The word is loaded with imagery: black and white photographs of napalm victims. US marines escaping by helicopter from the rooftops of Saigon, farmers ploughing in lush green paddy fields, conical bamboo hats and French films bathed in the soft focus of *Indochine*.

The problem with most of these images is that they have very little to do with the face of modern Vietnam, as this ground-breaking book explains. In a convincing blend of colourful reportage and trenchant analysis, Robert Templer blows away the myths that have misinformed the world about this deeply troubled country for too long.

Drawing on his three years in Hanoi as a correspondent for the French news agency Agence-France Presse, he exposes the gritty reality of Vietnam today – a country whose political leadership has lost direction as it struggles to come to terms with the post-Soviet world order and where the promise of Vietnam as the next Asian "tiger" has been dashed on Hanoi's incompetence and the false hopes of the outside world.

Templer has a credible per-

spective. He was lucky enough to have been based in Vietnam in the early 1990s, just as the country was emerging from under the dust sheets of Soviet dominance, economic deprivation and Cold War hostility in Asia.

The last time foreign reporters had been based in Vietnam was before 1975, when they covered the war from Saigon, capital of the former South Vietnam. Until recently, covering Vietnam meant parachuting in and submitting to tightly choreographed tours that rarely left anything more than a skin-deep impression. Hanoi was happy to let reporters dwell on past tragedies rather than the tensions of the present. In the early 1990s, Vietnam finally allowed permanent news bureaux but insisted that they be based in Hanoi. Permission is still needed for trips outside the capital.

Templer explains what is wrong with the imagery. His targets are the writers, film-makers

and commentators that have dominated the image-making until now: producers of film epics such as *Indochine*, which starred Catherine Deneuve, and war-era American journalists on return trips to the country they think they still know.

Both projected their own versions of Vietnam. The French, with their imaginary landscape of colonial loss and regret, the Americans with "Nam", a place for suffering and redemption. These "layered fantasies", inevitably, have started colliding with the reality of modern Vietnam.

Jean-Jacques Annaud, the French film director of *The Lover*, the steamy novel by Marguerite Duras, had a rude shock when scouting for locations for the film. Instead of "Indochine", he found poverty and overpopulation that left him stunned. The fancy villas of his imagination had been replaced by tacky prefabs.

The countryside didn't offer

much better. Down in the Mekong Delta, he found "grey" instead of green. The Mekong river, crammed with motorboats with corrugated iron roofs, looked "more like a freeway outside Mexico City than the legendary river flowing all the way down from China".

SHADOWS AND WIND. A VIEW OF MODERN VIETNAM by Robert Templer Little, Brown £18.99, 384 pages

Vietnam can be a place of grace and charm. Its ageing revolutionaries have achieved much since the relaxation of internal political controls a decade ago, the embrace of foreign investment, introduction of far-reaching agricultural reforms and expanding diplomatic ties.

But these images, too, risk

becoming part of an outdated iconography. Today's Vietnam is a place of immense economic and social tension as the communist party tries to retain its relevance in a society that has tasted the first fruits of economic freedom. The economy is stumbling under the weight of bloated state-owned industries and private entrepreneurs are stamped upon by the system.

Deep divisions remain between north and south. Hanoi is still not reconciled with its former southern Vietnamese foes. When Hanoi talks of three million having perished in the war, it still can not bring itself to include the Vietnamese who died on the southern side.

While most urban Vietnamese lives have improved, ugly class divisions are emerging. Education and healthcare are threatened with collapse due to cuts in state subsidies. Those who can afford services pay privately under the table; others go with-

out. Crime and drug use are spiralling out of control in the cities. The abortion rate is the highest in Asia.

Corruption invades almost every aspect of the lives of ordinary Vietnamese and there is nowhere to turn to for redress. Courts and judges can easily be bought with cash.

In the countryside – where 80 per cent of the population lives – grinding poverty is still the lot of most. Farmers face arbitrary taxes imposed by communist party officials. Migration from the country to the cities is acute as land is short supply. Vietnam's average population density is twice the Asian average.

Having set reforms in motion a decade ago, the communist party has yet to work out a vision for what happens next. But a bigger challenge is how to meet the aspirations of its incredibly young population. A staggering 41m Vietnamese were born after

1975 and have no memory of the war.

Vietnam's problems may have been temporarily eclipsed by the recent turmoil in Southeast Asia. But that does not mean that it has been spared its own painful descent into economic distress, and possibly serious social unrest.

Such images are likely to strike fear into the country's rulers, who, as Templer says, set so much store by an image-making of their own: "A central part of Vietnam's political culture is about presenting a façade to the outside world. In the past it covered its chaotic political divisions with the image of rigorous Confucianism or strict Marxism. It has softened its appearance now but it has not dropped its guard: officials are dedicated to preserving the images. They portray themselves to the outside world as mysterious and inscrutable, fluent in elliptical oriental wisdoms and masters of a society that outsiders could not possibly fathom. Thus they ensured that journalists and writers spent more time examining a past over which the government could exercise some control rather than a present that is slipping away from them."

Some descriptions aren't, as they say, box-office boffo. Meryl Secrest fights shy of calling Stephen Sondheim a political artist, a verdict which would be a guarantee of social and cultural ostracism in the US. Yet this is very much the kind of composer she describes, and it is a conclusion that may be more easily decoded on this side of the Atlantic.

The key thing about Sondheim is not that he reinvented the musical. There is a cautious consensus that *Cyrano*, *Follies* and *Sweeney Todd* were painful breakthroughs in Broadway's emergence from adolescence, but more important is that Sondheim has consistently dramatised the decline and the cultural irrelevance of the very form he is transforming.

Secrest quotes him as hoping that one day he may still enjoy a smash hit, but the logic of Sondheim's imagination is too alien and unsettling for easy consumption. Shows about madness and murder, alcoholism and alienation, about the afterlives of presidential assassins, or about the pointillist painter Georges Seurat are not easily squeezed between cocktails and dinner and have been notoriously slow to "play" and *Assassins* opening during the Gulf War did it no favours.

There is a musical dimension to this as well. Sondheim is not an easy composer to absorb. He has always rejected the suggestion that his melodies are not hummable, but they are irreducible and almost always very precisely located in the performance dynamics. Sondheim has spoken of unexpected occasions where a seemingly awkward song has simply "worked", even though the performer is not a big star. Sondheim songs have only slowly been taken up as repertoire pieces or jazz standards. Only the unrepresentative "Send in the Clowns", deliberately clipped and discursive to match Glynis Johns's light, non-sustaining voice, is universally known, and it is usually misrepresented. Even so, and ironically, it has been anthologised like *Side by Side* by Sondheim rather than his dark, ambiguous musicals which have cemented his reputation.

There are personal reasons for Sondheim's strange air of displacement and solipsism, even in a form as collaborative as musical theatre. He was the child of selfish parents, his father indulgent, his mother more ruthlessly so. Their marriage was little more than a business deal, providing Herbert with a talented designer and Foxy



## Musicals with a mission

Brian Morton explains why Stephen Sondheim's work is too unsettling for some

with an entrée into the fashion business. Young Steve spent his days with friends, at camp or at military academy, which against all expectation he loved. By then his parents were separated and would divorce. In later years, Foxy tried to command her son's attention with a false suicide bid and later wrote to tell him that her only regret was giving birth to him. Sondheim responded to later, more conciliatory letters with a simple Xerox of her abusive one (although the better revenge was the Mother From Hell in *Cyrano*).

Sondheim's "real" father, artistic if not personal, was Oscar Hammerstein II, especially the Hammerstein of

the experimental *Allegro*, and his "real" family the enforced collectivity of the theatre. He was to say that he didn't know love until his 60s – with Peter Jones, a total vegetarian New Ager from Wyoming and the antithesis of the urban sophisticates who had made up the Sondheim circle, and who still dominate the foreground in Craig Zadan's 1989 portrait, *Sondheim & Co*. It is clear, then, that he deeply loved actress Lee Remick and might even have married her.

All these are powerful indicators and Secrest draws a convincing, unpretentious picture of a shy and slightly fugitive man. Yet why he became the artist he did is

only hinted at. Sondheim's gift for language is innate, almost mathematical, though he confesses to abiding embarrassment at having an uneducated Puerto Rican girl sing "It's a Wonderful Life" in *Assassins*.

STEPHEN SONDHEIM: A LIFE by Meryl Secrest Bloomsbury £20, 448 pages

how charming a feel" in *West Side Story*.

What distinguishes him from his peers is an infusion of the anarchic leftism that ran through even prosperous Jewish New York in the 1930s and early 1940s; a matter of cultural stance rather than card-carrying politics.

The social responsiveness of *West Side Story*, on which he worked with another Secrest subject, Leonard Bernstein, has aged less well than the songs, but it is still there. Sondheim is obsessively concerned with conflict and with power relationships, easy enough to see in *West Side Story* and *Assassins*, and in the strangely inflected *Pacific Overtures*, but much more deeply inscribed in the melodrama of *Sweeney Todd* and the fairy-tale environment of *Into the Woods*.

The latter pair are the key Sondheim works, in the way they broker a new theatrical maturity out of childhood excess and ambiguity. They are typical, too, in that they

are also self-consciously about acting and pretending, about the theatre itself. Thirty years before Cameron Mackintosh saw its potential, Sondheim considered making a musical (or opera) out of *Sunset Boulevard*. In *Follies* he conjures up a similar world, bitter, left-over, but somehow grand in its decline. Secrest's verdict on it is the best summing up: a show which came to signify "the death of a certain kind of musical theatre and its evolution into one that was going to be more sophisticated, more knowing, more nuanced and entirely devoid of sentimental illusions". In words and music, that is what Stephen Sondheim has done.

Fiction/Galen Strawson

## An odyssey reaches Waterloo

The Hundred Days is the 18th member of Patrick O'Brian's great series of novels about Captain Jack Aubrey of the Royal Navy and his "second self" (to borrow Aristotle's term for a friend) Dr Stephen Maturin, the surgeon, spy, and natural philosopher.

The hundred days (or so) are the last of the Napoleonic Wars, beginning with Bonaparte's escape from Elba in February 1815 and ending with Waterloo, and O'Brian's new book deals, in a happily factuo-fictional way, with the naval activity in the Mediterranean during that time. It ranges as the wind permits from Gibraltar to Malta, from Split to Tangier, incorporating (among other things) a court-martial for buggery, a lion hunt, and a well-aimed dose of opium.

The main story pivots on the imbricated politics, both civilised and murderous, of Moslem North Africa, whose relevance to the European conflict derives (by way of the presence of well-armed Moslem mercenaries in the Balkans) from a resurgence of the belief that Napoleon "in-Egypt-I was-a-Mohammedan" in France-I-am-a-Catholic. Bonaparte is a secret convert to Islam.

If you know O'Brian's Napoleonic books, the function of a review like this is merely to inform you that a new one has been published, which you will want to read whatever anyone says. If you do not know them, its task is to advise you to acquire the first two or three (*Master and Commander*, 1970; *Post Captain*, 1972; *HMS Surprise*, 1973), or perhaps the first dozen. If you are trying to weather a depression, and to read on past any early sense that they are not for you – at least to the end of *Master and Commander*.

At this point you will probably want to read the next 17 before learning any more about *The Hundred Days* from a review. So my job is done, whether or not you know Aubrey and Maturin. But I will append a few observations for novitiate and initiates.

They should expect to suffer two considerable personal losses; but they will

receive spiritual instruction in the disgrace of Preserved Killick, Aubrey's blessedly strabismic steward of many years standing. They will be sorry not to hear more about the mathematical boy John Daniel, or about "young Captain Vaux (a deeply conscientious officer)", or about the paper on screwing that James Wright gave to the Royal Society.

But they will be pleased to be introduced to Dr Amos Jacob, another chirurgical secret agent (and linguist and gemmologist) who travels with Aubrey and Maturin on *HMS Surprise*, solves their diplomatic problems, and surely closely resembles the French ex-Prime Minister Laurent Fabius.

THE HUNDRED DAYS by Patrick O'Brian HarperCollins £16.99, 281 pages

Aubrey's Adriatic campaign is curiously under-described, and O'Brian allows himself remarkable vaguenesses of space and time in the exhaustively charted Mediterranean: at one point the *Surprise* sails "right off the known track of the sea". There is little on Aubrey's and Maturin's inner – and private – lives, and Aubrey in particular is absent; it is as if his spirit is on hold, in his 46th year.

But this is a well furnished book. Aubrey's and Maturin's lives go comfortably on. O'Brian adds to his long, episodic meditation on "the great difficulty of marriage", and puts into a woman's mouth the simple unrespected truth – usually noted by women – that "men, upon the whole, are kinder than women". An ekoslogos stands to a trilogy as three stands to 20, and an ekoslogos is what we now expect of O'Brian.

In fact the onus is on him to produce at least 24 books, to match Homer's *Odyssey*. There is a great deal for Aubrey and Maturin to do in the next decade – the Chilean, Peruvian and Brazilian wars of independence all require their attention – and a large number of us want to know what happens next.

s cover

Microflight 98 - Rocky Isles  
Welcome variety

With the proliferation of glossy gardening books on every imaginable topic, it may seem perverse to turn to classic gardening authors for advice and consolation. When William Robinson, Gertrude Jekyll, and even Margery Fish and Vita Sackville West, wrote about their gardens the number of plants available was comparatively small – and many of these have since been re-classified and re-named. Yet unlike modern authors, whose purpose often seems to preach and intimidate, these earlier writers not only convey a sense of adventure in their gardening but genuinely share both their secrets and enjoyment.

Edward Augustus Bowles – a circus lover, gentleman gardener and flower painter – went even further. Not

only did he share his discoveries, but few visitors left his garden without some of his many treasures accompanying them. Held to a family fortune acquired from the felt trade, E.A. Bowles could devote his life to cultivating his garden at Middleton House, Enfield, and travelling the world in search of rarities. Now the re-issue of his gardening books, first published on the eve of the Great War and immensely popular in their day, beckons us into his world.

Their sense of immediacy is acute, as is the author's voice: he even offers the

reader his "trowel-hardened hand" for a saunter through his garden, in which by far its most entertaining feature was "The Lunatic Asylum". The kind-hearted Bowles could not bear to eliminate those unfortunate plants too odd to associate well with others. Instead he set aside a substantial portion of his garden (previously occupied by evergreens he complained resembled a magnified dish of spinach) as a "home for demoted plants".

This domain eventually included one of the first corkscrew hazels, a rescued pygmy elder, a laburnum pretending to be an oak, a viburnum which, "suffering

from melancholy madness", refused to flower, and several "sufficiently crazy" strawberries among many others, all of which, he states, were certified insane before being admitted to this select company.

Yet for all "Gussie" Bowles's own gentleness and generosity, we are also reminded that backbiting and competition in the gardening world is not a modern invention. When Bowles was asked to distil some of his wisdom into a book a pugnacious garden expert, Reginald Farrer, who had shared Bowles's plant-hunting expeditions in the Alps, was allocated the

book's original preface (now provided by Gussie's great-great nephew Andrew Parker Bowles). Farrer deployed his admiration for Bowles's rockery, with its natural display of alpine plants, as a shield under which to attack another alpine aficionado, Sir Frank Crisp.

Although never mentioned by name, the entire gardening world recognised Crisp as the intended target of such barbs as "the very rich are out to purchase the glories of the Alps at so much a yard". For Crisp, in the tradition of Lord Elgin and his marbles, had recently transported the

Matterhorn to his four-acre Henley estate by means of a scale model. Some 7,000 tons of millstone grit plus Portland cement had been used in this gigantic folly; its entire surface clad in alabaster the better to resemble snow. Four thousand species of imported rock plants and a tin chalet completed the picture.

Farrer's jibes at this vast rock-works ("you could do no better with coloured gravels") provoked Sir Frank into a frenzy of recrimination, unfortunately directed at the peaceable Bowles rather than Farrer himself. Crisp even stationed himself at the entrance to

the second Chelsea Flower Show, distributing his pamphlet, *Mr. E.A. Bowles and his Garden: A New Parable of the Pharisee and the Publican*.

Today's po-faced Chelsea could do with such living up! Yet despite the fact that over 50 garden plants still bear Bowles's name and there is a Bowles Corner at the RHS's Wisley Gardens, Sir Frank Crisp has achieved an even greater immortality. In 1969, Beattie George Harrison bought Crisp's house in Henley, soon afterwards recording "The Ballad of Sir Frankie Crisp". A further sort of lunacy, perhaps.

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## BOOKS

# Down the years on the city streets

Michael Thompson-Noel recommends an erudite and entertaining history of London

Charles Lamb, refusing an invitation to visit the Lake District, told William Wordsworth in a letter that he didn't much care if he never saw another mountain in his life. He had spent all his days in London, he told the poet, and was so in love with it - the lighted shops, the tradesmen and their customers, the playhouses, the crowds and wickedness and

**A HISTORY OF LONDON**  
by Stephen Inwood  
Macmillan £30, 1111 pages

drunkenness, the very dirt and mud - that he often shed tears in the motley Strand from fulness of joy at so much life.

In fact, says Stephen Inwood at the start of his remarkable and absorbing celebration of the 2,000-year-old story of London, there is hardly a place on earth that has been described, praised, analysed or reviled more often, or more skillfully, by as many fine writers (many of them native-born), as London. The impression that emerges from their writings most strongly is that of a city of unsurpassed variety and vitality.

Inwood, who is the Dulwich-born, Oxford-educated son of a London taxi driver, has doubtless read all these writers, yet he has not been intimidated. On the contrary, *A History of London*, which was nine years in the making and contains as much as anyone could wish to know about the affairs of this strange, great, ugly, beautiful city, is - in spite of its length - an utterly winning work, erudite yet entertaining.

It could not be more simply organised. Inwood starts at the

beginning, with London's first 1,000 years (AD 43-1066), and continues to the present day, concluding with the observation that "the challenge now, as ever, is to apply a share of London's vast economic and intellectual resources to solving its enormous social and environmental problems. The words used by William Fitzstephen in the first medieval account of London are as true today as they were in 1173: 'The city is delightful indeed, when it has a good governor'."

Writing the history of Roman and Saxon London, says Inwood, presents special difficulties, even though it has been established that London was a Roman new town, not a Romanised version of an ancient British settlement.

Medieval chroniclers liked to trace London's foundation, like that of Rome, all the way back to Homeric heroes. Geoffrey of Monmouth, for example, writing in the early 12th century, had Brutus, great grandson of Aeneas, arriving in Britain (then called Albion) about 1,000 years before the time of Christ, finding it "uninhabited except for a few giants" and turning his hand to building a new Troy - Troia Nova - on the banks of the Thames.

In reality, says Inwood, written evidence, which is overwhelmingly extensive for the city's recent history, hardly exists for its first 1,000 years. Equally, there were no maps of London until the 16th century, and no pictures of much value until the 16th.

Instead, knowledge of early London has come mainly from archaeologists, especially those who, after the second world war, seized the opportunities created



Difficult to get to grips with a traffic jam outside London's Royal Exchange

by wartime bombing and postwar redevelopment to discover what they could, before the deep foundations of new buildings destroyed the evidence for good. "A detailed [early] chronology will never be possible," writes Inwood, "but at least some mysteries are being cleared up, and some speculations being proved or disproved by new discoveries."

Whereas London's first 1,000 years take up 21 pages of Inwood's book, medieval London (1066-1520) receives 44 pages; the period from the Reformation to the Great Plague (1520-1665) is given 67 pages; the events of 1660-1815 get 139 pages; 18th-century London (1815-1914) is allowed 239 pages; and modern London (1914-1997) receives 171 pages. Maps, notes, bibliography and index stretch across 120

pages. Thorough and accessible, *A History of London* is said by its publisher to be the only general, one-volume history of London there is.

Although part of the author's aim is to bring out the uniqueness and variety of London's history, he also strives to make sense of it, even though London, partly because of its size and the way it developed, can be difficult to get to grips with.

"London" developed in its own peculiar way, says Inwood. "As other great cities have, often ignoring the rules laid down for it by geographers and urban studies departments. Nevertheless it is essential, if the history of London is to amount to more than an accumulation of incidents and anecdotes... to find some threads that unite appar-

ently disconnected events, and to distinguish the normal from the exceptional in [its] history."

One of these themes is London's reliance on migrants, who have helped maintain its economic, cultural and demographic vigour. Until this century, London was an exceptionally unhealthy place, and without a steady flow of newcomers, who have regularly boosted its economic success. London's population, says Inwood, would have been in almost constant decline.

He says that London's purpose as a city has never been straightforward. Londinium was a military stronghold, a centre of government, a trading and industrial town, and a place of recreation and luxury. As time went by it lost some of those roles and gained others, but since the Mid-

dle Ages has nevertheless dominated English life because of its wealth, influence and magnetism.

A lot has happened to London lately. Between the 1940s and 1990s it lost two of its most important traditional roles - as a port and as a manufacturing city - but retained its historic functions as a service town, financial capital, home of central government and the professions, and as a centre of leisure, shopping and tourism. These, says Inwood, rescued it from collapse, though not from decline.

There are so many Londons, says the author, that a single book is bound to ignore or under-value many of them. For example, he says, George Sims's lively, multi-authored survey, *Living London*, of 90-odd years ago, had chapters on dozens of Londons,

many of which - including dancing London, cat and dog London, gardening London, equine London, cycling London, ballooning London and lunatic London - are given less than their due in *A History of London*, if, indeed, they feature at all.

Instead, Inwood says he has found himself drawn to leading London, overland London, kerbside London, hospital London, newspaper London, criminal London, afflicted London, money London, water London, hooligan London, servant London, bar and saloon London, music London, and to one or two others - his tendency being to spend more time on sick, disgruntled, hungry and dispirited Londoners than on contented and comfortable ones. This is a wonderful book.

Fiction/Nigel Spivey

## Poking fun at heritage

author's experience is surely echoed. And what Barnes fictionally proposes for the island snacks of a curse.

*England, England*. The title should be understood as an address. Set early in the next millennium, this fan-

**ENGLAND, ENGLAND**  
by Julian Barnes  
Cape £15.99, 284 pages

tasy imagines an Isle of Wight entirely turned into the theme park of quintessential England. Lock, stock and barrel, including not only portcullises, stocks and warm ale, therefore, but whatever we or the world perceives as "English". Beef-eaters, Yorkshire pudding, Manchester United, Neil Gwynn and Royalty, bowler hats and buggery.

The project is dreamed up and executed by a tycoon called Sir Jack Pitman, the other protagonists of the story are mostly his immediate entourage of advisers, chiefly Martha Cochrane, a vocational cynic. At first we are gently introduced to

Martha and her inner life; then the pace of satire picks up, and Martha becomes little more than a window on the England Experience (whose targeted customers are wielders not so much of the euro but the dollar and yen).

I say "satire". There is not much to laugh about here: it is not a generally funny book. In A.G. Macdonell's minor masterpiece of a half-century past, *England, The England*, a Scotsman's caricature of Englishness was driven by profound affection. There is none of that here: Barnes would ridicule even the droll capacity for self-deprecation which the English sometimes show. His obvious target is the indigenous heritage business - home-knitted fudge from the birthplace of the Bard, lanky students tweaking their copcioces on the steps of Hampton Court, and all that - and it is mocked easily enough. In fact too easily. Even if you extend the heritage industry to include the royal family, and encompass a general tabloid nostalgia for a greater Britain saved

by spitfire, this is a soft target. And its softness gives Barnes a serious structural problem with his story. We get the point of it within the first 60 or so pages. What happens next?

Alas, too little. Sir Jack the tycoon-bully reveals his tragic flaw, at least thanks to the espionage of astute Martha: it is, rather predictably, the sexual gratification that comes from being put back into the nursery under firm female hands. In the context of the story, Sir Jack could surely have brazened this one out, and declared he was practising a quintessentially English vice. Instead it becomes the cause of his self-loathing, and Martha's rise.

She presides over the success and problems of the miniature virtual state that is created on the Isle of Wight, allowing Barnes to play with the conundrums of virtuality. "There seems to be a slight problem with the smugglers," "What's the problem?" "They're smuggling." But otherwise the novel peters out. None of its characters invites much sympathy. Intellectually it has nothing original to declare: the phenomenon of fabricating national identity at heritage sites has already been analysed (see Ian Ousby's excellent study, *The Englishman's England*). In narrative terms it feels like nothing so much as a nice short story pushed too far: a good idea, crying for the genius of Evelyn Waugh.

New fiction/Philip Stephens

## Politics laced with satire

**FIFTY-FIRST STATE**  
by Peter Preston  
Viking £15.99, 274 pages

until quite recently Young's Editor at the Guardian, has chosen a completely different form to recast the familiar agonies. Preston looks to the future through the prism of a novel which stands intriguingly, if sometimes awkwardly, between political thriller and biting satire.

We start two or three decades hence in a world in which the excitable promise of Blairism has long faded from memory and the Tories once again hold the reins of power. After the usual protests and prevarication Britain has signed up to the euro and stands on the brink of transferring foreign policy to Brussels. The Tory Eurosceptics live on in what has become the British League but the mood, as now, seems to be one of sullen acquiescence in further European integration.

Then comes the jolt. The hankering after past glory which has bedevilled British politics since the victory of 1945 somehow finds its voice. There are still enough Englishmen, it seems, who refer to Germans as Huns or

Krauts and Italians as Eyties to raise the standard for King and country. Rupert Warner, who has quit the Conservative cabinet after a deathbed homily from his father (Gosse Green and all that) finds himself at the

helm of a movement which forces Britain's withdrawal from the European Union. Predictably enough Warner, now prime minister, finds isolation less than glorious. The continentals cut up rough (led of course by the Hun) and the voters are soon disgruntled by the loss of investment, trade and jobs. A free trade agreement with the old ally in Washington seems simply to replace one international economic tyranny with another as the Medicines at al begin to undercut what's left of domestic industry.

It is here that Preston's novel metamorphoses from plausible politics into satirical sketch. Warner chances on a coincidence of interest with Mark Tate, the incoming American president. Tate wants to restore the culture of the founding fathers to a nation which is fast becoming as Hispanic as it is Anglo Saxon. Warner wants to prove to Germany's nasty Hermann Gross and France's scheming Alain Peyerllette that England can find a more prosperous future across the Atlantic than was ever on offer from the other side of the channel. What better marriage than one between the old colonial power and its most successful progeny. No matter that Warner himself is reduced to the role of senior senator and the King's place is henceforth to open the Superbowl.

Preston writes with nice irony. And the central theme is garish, with numerous sub-plots. Jenny Warner is as sexually athletic as she is ambitious. Mujib Khan, the Pakistani tycoon with the money behind a doomed attempt to restore national independence, doesn't find it hard to trace his ancestry to Jimmy Goldsmith. And the denouement brings an unexpected twist.

This is the author's first novel and it is a good read as well as a clever parable. But it is not, as the publicity claims, in the same class as *Primary Colours*. And those looking for answers as well as entertainment will be disappointed.

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## Poetry on borrowed breath

Adam Begley enjoys a booster-shot of poetical know-how

Gerard Manley Hopkins' poetry as "living art," should be performed, and be left direction as to how; "loud, le-

surely poetical (not rhetorical) recitation, with long rests, long dwells on the rhyme and other marked syllables, and so on." Reading lines "poetically" seems a fine idea - until you face the bumpy terrain of a Hopkins poem. As your tongue trips over clotted consonants you may wish for a refresher course on prosody, a booster-shot of poetical know-how.

That's what Robert Pinsky offers up in *The Sounds of Poetry*: a slim, elegant guide to reading verse out loud. Though aimed at the general reader Pinsky's book probably won't be of much use to anyone who doesn't already love reciting or at least reading poetry.

His true audience (leaving

aside the poet and the aspiring poet) is the rank amateur who has no scribbler's ambition but who has nonetheless found that 15 minutes devoted to a poem opens a lasting moment of fresh-air calm in a day shrink-wrapped by busyness.

Pinsky, the Poet Laureate of the US, shares with Hopkins the notion that poetry is a vocal art. "The medium of poetry is a human body," Pinsky writes. "The column of air inside the chest, shaped into signifying sounds in the larynx and the mouth, in this sense, poetry is just as physical or bodily an art as dancing." Pinsky argues that poetry is also an "intimate" art: it borrows an

individual reader's breath. And the reader need not be an expert. Expertise is required only on the writing end: the breath borrowed can belong to anyone who speaks the language with ease.

The "poetic" delivery favoured by Hopkins is exactly what Pinsky argues against. Again and again he reminds the reader to "say the lines in a natural way, without thumping at the pattern, without pausing unnaturally at the ends of the lines, and without any hammy over-expressive interpretation."

He wants the reader to hear a wide range of effects, some subtle, some pronounced. There's rhythm,

composed of accent and duration (or quantity). There's "the angling of syntax into line and stanza at interesting tilts." There's also end-rhyme and its audible absence, as well as other "chiming and echoing of

**THE SOUNDS OF POETRY**  
by Robert Pinsky  
Farrar, Straus & Giroux \$16, 129 pages

vowel and consonant." In many poems there's a tug-of-war going on between some or all of these elements. The more you hear, the more you hear, the better you enjoy.

It's wonderful to watch Pinsky pick up a word as if it were an oddly shaped pebble he could turn over in his fingers. The word "winter," for instance, appears in examples from Thomas Campion ("Now winter nights enlarge/The number of their hours") and Wallace Stevens ("One must have a mind of winter") and in Shakespeare ("Now is the winter of our discontent") and Robert Frost (in "An Old Man's Winter Night").

When Pinsky has finished fingering, you know precisely how variable accent and duration can be, how dependent on neighbouring stress and sound - in neither case, as he puts it, is there "an off-or-on toggle."

Pinsky is playful, but he doesn't dally. Concise, direct, he favours practice over theory and avoids jargon wherever possible.

Much of the fun in reading *The Sounds of Poetry* comes from Pinsky's adroit use of well-chosen examples. He borrows lines from several dozen poets, including Johnson, Donne, Hardy and Hopkins. But mostly he quotes Americans, especially Frost, Stevens and William Carlos Williams. When Pinsky takes a good poem apart and puts it back together again, there's no deadening effect. Rather, our appreciation of the poet's skill grows. That's a sure sign of valuable criticism.

As to the other problem - how to tell a good poem - here is Frost's ageless advice: "Read it a hundred times: it will forever keep its freshness as a petal keeps its fragrance."

light and wa

What women really want

## ARTS



Illustrating the Scottish colourists' love affair with France: 'The Blue Hat - Clossier des Lises' by J.D. Fergusson

## Light and warmth from the south

William Packer finds Edinburgh enhanced by exhibitions influenced by New Zealand and France

Edinburgh Festival's non-engagement with the visual arts does not mean any lack of visual interest in Edinburgh at festival time. Quite the reverse - there has been plenty worth seeing. But the great festival shows of the past will only come back with a policy of programmed integration and financial support.

But enough of that. The City Art Centre is filled with its customary collection of small, serious and attractive exhibitions. A surprise among them is *Southern Lights*, which celebrates the local school of landscape painting over the past 150 years in Dunedin and the evidently spectacular Otago Peninsula on the south coast of New Zealand's South Island. The district was settled largely by Scottish emigrants, used to brisk weather and mountainous country, and the fine documentary photographs of the first town have a peculiar poignancy - at once infinitely remote, with their cabins and unmade roads, and yet deeply familiar in

the emerging character they display of the archetypal British high street.

The artists who settled took their reputations with them, and there they stayed. While one would hardly say they are geniuses unsung, it is good to be made aware of the first time of such as David Con Hutton, first principal of the Dunedin art school and here represented

**The evidently spectacular Otago peninsula was settled largely by Scottish emigrants**

by a delicious drawing of his 1870s young lady students hard at work in a country lane. Alfred O'Keefe is another notable Victorian, with his vigorous impressionism. Of the living artists, Toss Wollaston, now nearly

90, stands out, and Dick Frizell too, at a mere 55.

Downstairs, *First Among Equals*, setting William Gillies among his peers, is an important pendant to his centenary retrospective at the RSA which I reviewed last week: important as much as anything for the breadth of disciplined and sophisticated talent it displays within a remarkably coherent school of artists, from Maxwell, Redpath and McTaggart to Blackadder and Michie.

Further down again is *Full of the Warm South*, an account of the Scottish Colourists - Peipoe, Cadell, Hunter and Fergusson, in their love affair with France. Fergusson's is the dominant presence, usefully bringing forward his work between the wars, the landscapes and rather mannered and symbolic nudes that have generally been neglected in favour of the more familiar Fauvist work he did in Paris before 1914, glamorous young women in spectacular hats at the Closier des Lises.

Down in the basement is the greatest surprise of all, the first public display of the

hungry Lioness, rare beast indeed, that the Cramond ferryman noticed emerging from the mud beneath his boat early last year. Cramond, some six miles to the north-west of Edinburgh, was for a short period in the mid-2nd century AD the site of a strategic Roman fort.

A contextual display surrounds the creature, setting out her Roman origin and funerary purpose, but it is what she is in her physical presence that really matters, weathered to a refined sculptural simplicity but as active and powerful an image as ever, crouching over the tiny human prey she is in process of devouring. More than from among the finest pieces of Roman art to have been found in Britain, she is as fine a work of sculpture as could be wished.

Portfolio, Edinburgh's tiny, admirable gallery of contemporary photography, is showing new work by Paul Graham, set in the late-night bars and clubs of an unnamed central European city. The images he calls "The End of an Age" are all single portraits of young

people set in complementary opposition, one deliberately blurred and indistinct against another as sharply focused as it could be.

The socio-political inferences of the exercise are crashingly obvious - escap-

**The greatest surprise of all is the first public display of the hungry lioness found in the mud at Cramond**

ism, enjoyment and indulgence, the hard reality to which all must return: the collapse of the old order, and the new not yet in place. Where, who, what are we? The hugely inflated size of the actual prints serves only to emphasise the self-conscious portentiousness of the message. But it is good to see photographs, even photographs with a fashionably

correct message, presented as photographs. And as their message falls away, these are very beautiful.

Finally, a mention for the excellent Jock McFadyen and his large show of recent work now at the Talbot Rice Gallery - views and details of deserted Underground Stations, crumbling hotels and cinemas from Leith to Hackney. I reviewed the show he shared in London with the equally excellent Humphrey Ocean, so I won't repeat myself. But do see it.

A Feast for the Eyes - Southern Lights/Gillies and his Contemporaries/The Scottish Colourists in France/Pax Romana-the Cramond Lioness: City Art Gallery, 3 Market Street, Edinburgh, until October 3. Paul Graham - End of an Age: Portfolio Gallery, 43 Candlemaker Row, Edinburgh, until September 19 (from 12.00 Tuesday-Saturday); sponsored by Fujifilm Photo Film (UK). Jock McFadyen - Looking out to Sea: Talbot Rice Gallery, Edinburgh University, until September 12.

## Television/Christopher Dunkley Drama at the cutting edge

Today BBC1 begins its 13th series of *Casualty*, one of the most popular dramas in the corporation's history. It is not realistic, of course. If you showed on screen what really happens in casualty departments, most viewers would switch off. On television you see moderate amounts of blood, but not vomit and faeces - not in realistic quantities, anyway. You get a bit of pushing and shouting, but not the frequent violence from drunks and lunatics which occurs in real life. You see people frightened and in pain, but not at the end of their tether, locking their fingers round the wrist of the nearest person and screaming for God and their mother.

That is what really happens. I was a porter at Paddington General Hospital in the 1960s. I have worked Friday night shifts in casualty, Friday being payday, and therefore drink day, and consequently fight day. I have helped to deal with two people, unrecognisable as women, who had fought one another with broken bottles. I have held the hands of a teenage motorcycleist, delivered in pieces by the ambulance men after he drove head-on into a concrete lamp standard. He lived. I have held the drip for a baby as a young doctor strived, weeping, to save his life. He died. I have joined in the defensive galloway humour. I have played "Hit The Kidney Dish" using hypodermics full of unmentionable liquids as water pistols.

All that was years ago but, judging from *Casualty*'s two-part story which opens the new season tonight and continues tomorrow, not a lot changes. Casualty departments really do deal in life and death, which is what makes them such suitable locations for drama. They can become a mad vortex in which you think things have reached the limit only to have something 10 times worse literally delivered to your doorstep. Somehow, in a benign reversal of Parkinson's law, the capacity to cope nearly always expands to meet the need.

There is a good example of this in today's *Casualty* story, which begins with a rapid build-up of unconnected incidents stretching all members of staff - doctors, nurses, porters, receptionists - only for two much larger emergencies to overshadow the earlier mayhem. In the past 10 years British writers have learned - chiefly, I would guess, from their American counterparts who brought us *ER* - to write multi-strand stories in which the details of individual lives and small incidents are played out simultaneously against the larger narrative.

Stylistically this is not always well done. Where *Casualty*'s slicker, funnier American counterpart, *ER*, invariably achieves convincing authenticity in its "busy

busy" scenes, as though a documentary cameraman had been shooting in a real hospital, there is an embarrassing tendency for the *Casualty* equivalent to sound and feel like a general rubbish. Perhaps British directors get insufficient time these days and the actors have to add up their own bits of business. That is how it looks.

On the other hand the individual story strands work pretty well. Today we get an irate woman demanding an abortion, another woman who appears to have been the subject of wife battering, a schoolboy who says he is in pain but whose father wants to get to work, and a seriously ill baby brought in by an Asian mother who speaks no English. One of the admirable strengths of *Casualty* is that it has been casting multi-racially for so long now that it has gone way beyond the point where all non-whites have to be shown as saints. Here they can be as troublesome and demanding as anyone else. It is heartening evidence that non-whites are finally being fully accepted.

The biggest difference between Paddington General Hospital in the 1960s and *Casualty*'s Holby in the '90s is the extent to which the private lives of the staff impinge upon hospital routine. Admittedly there were more frantic sexual activities at PGH than anywhere else I have ever worked. Perhaps all big city hospitals are alike in this; it may have something to do with the staff being perpetually exposed to the fragility of life. But at Paddington, though such matters were discussed endlessly in the canteen and nurses' home, they rarely spilled over into the public areas.

Of course it could be that the intrusion of the private lives of the Holby staff into the work place - sometimes to the virtual exclusion of anything else, it seems, and to the detriment of professional activity - could simply be a bit of dramatic licence. Drama devoted to pure medicine, unalleviated by a bit of how's-your-father, could scarcely be expected to command audiences of 12 or 13 million on a Saturday evening. Yet occasional personal experience of hospitals as a patient in recent years suggests that *Casualty*'s version of hospital life is actually not too unrealistic.

The old idea of presenting a rigid professional front to the public seems to have collapsed along with the British stiff upper lip. Today, in the age of Oprah and Esther and our deeply feeling prime minister, the fashion to let it all hang out seem to have spread even into hospitals. In my day every nurse wore a watch on her apron to take your pulse. Today she wears her heart on her sleeve to detect your sympathy. *Casualty* reflects that change and in a way that is often highly entertaining.

Julip Stephens  
s laced  
satire

breath

Time was pornography was a handy encapsulation of everything that was wrong with the way men treated women. Times have changed, though: the central setting of *Juicy Bits* is a publishing company that specialises in pornographic novels for women; and now the porn debate is less about what men do to women than about what women want from men.

This question goes back at least as far as the Wife of Bath's tale, where the answer turned out to be that women wanted dominion over their husbands.

Kay Adhead's play comes up with less clearcut answers. Liz Sharp, for example, may once have wanted to put men in their place when she was a radical feminist publisher; but now she is a porn queen she wants true romance - or failing that, an assertive rogering - from Jay Stern, novelist and love of her life. Chloe, the ambitious market researcher she is employing

**Theatre  
What women really want**

to investigate women's sexual needs, wants a mutually supportive relationship with her loving husband Leonard; but she also wants uncomplicated sex with any number of casual acquaintances, including Jay. Leonard, meanwhile, though a model of sexual fidelity, betrays Chloe in more subtle ways at his weekly assignations with Bella, Liz's cleaner; no hanky-panky takes place, but he is undoubtedly intimate with her in ways he never is with his wife. Bella, meanwhile, has to cope with Set's long-term failure to achieve an erection, and her flatmate's disapproval.

It is all rather complicated. The opening scene has Liz commissioning Jay to write an erotic masterpiece to rival *The Story of O* or *Anal Nin*; a strong premise that results only in some forced

conversations about sexual adventure. Later, we discover that an escaped female serial killer has a penchant for killing men called Leonard - and we have a Leonard on hand to provide a new victim. But the plot line simply fizzles out with a thrown away explanation that the killer has been recaptured.

Adhead has a relatively crude ear for dialogue, too, by comparison to her sharp thematic eye. Perhaps because of that, Sarah Day's production (for Bold & Saucy Theatre Company) feels dragged out. This is a shame, since several performances are very good, not least Adhead herself, playing the blowsy Liz, a powerful woman failing to cope with the onset of age and insecurity.

Anthony Sargeant's wary Jay Stern is particularly impressive - his tactful rejection of Liz's romantic overtures ("It's been a lovely evening...") provides a moment of incongruous realism. But by and large, the play fails to live up to its serious ambitions - to take an analogy from pornography, it would like to be *Lost Tongo in Paris*; it ends up as *Carry on Ennammelle*.

Robert Hanks

Lyric Hammersmith, London W6.

Does Tony Blair live in a world of fantasy? Free of visual distractions, radio news provides a clearer outline of the long-running saga of our premier's love affair with the communications media. Last week, you remember, he hinted darkly that it was in his power to "take out" the Omagh bombers. He knew who they were, how they could be got at. A few days later, the radio told us, the local security forces were reconstructing the moments prior to the bombing in an attempt to jog memories, trying to get a clue as to the terrorists' identity. If Tony knows he's not telling.

Hardly effecting a diversion, our PM was next heard on radio perorating on the current campaign for reading. He seems to be in favour of it. Reading books, especially, apparently a good thing. So please prime minister, no more gangster comic strips.

Tony Blair could do worse than revisit the work of a Fabian friend of H.G. Wells who provided a Bank Holiday treat on Radio 4. The infant Noel Coward diverted money intended for the church collection to the purchase of E. Nesbit's books. More recently Gore Vidal wrote a characteristically entertaining essay about

her, equally characteristically missing the greatest treasures of its homeland returns to the south London basement with 50 Persian cats. Subsequent requests for food for the yowling creatures result in the conjuring of a baffled cow. In an un-petulant way Nesbit was sharp on irresponsibility, with political messages never far behind. The queen of Babylon, magicked to late Victorian London, is impressed by the heart of the empire where the sun never sets. Her slaves are better treated than those she sees in English streets, she contemptuously notes.

Nesbit's magical creatures - besides the carpet with a mind of its own - include a vain and excitable phoenix and the touchy Pssameed. The latter is a sand fairy, a first cousin of Pssameed's Pssamephides in J.R.R. Tolkien's *Rings*, read by Neil Pearson on Radio 4

Radio/Martin Hoyle

## Dangers of jumping on the magic carpet

last month. It made a charming appetiser for the real thing: the grouchy, hyper-sensitive, irascible but soft-hearted "it" of E. Nesbit's *Five Children and It*.

Malcolm McKee's adaptation necessarily cut and condensed, but in Rosemary Wat's production captured Nesbit's mixture of warmth and dry humour. Julia McKenzie was every inch a nice Edwardian mother remembering an afternoon as long and golden as Alice Liddell's boat-trip half a century before. Simon Carter was the Pssameed. This being radio, it was easy to imagine his round furry body, eyes on stalks like a snail's, and monkey arms. E. Nesbit was not a prettifier. Let us hope Disney never gets hold of her. The whole experience was more persuasive in getting children to read books than any amount of caring exhortations in that sincere voice the prime minister does so well.

If Radio 4 can still evoke those long-gone days of lovingly crafted children's programmes, its light entertainment plumbs depths previously unsounded. The *Late Night* on 4 slot is proving a Bermuda Triangle of quality, despite desperate repeats of such confirmed successes as *Goodness Gracious Me* and William Donaldson's *A Retiring Fellow*. The latest damp squib is *The Goldfish Bowl* written by Shaun Prendergast, hitherto known as a talented actor. Centring on two goldfish, it has references to Hamlet, the great Dane (cue "I didn't know he was a dog" joke). Don't give up the night job, Shaun.

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## ARTS

# Fancy-dress and coolish-Britannia whimsy gets frisky

National characteristics will out at an international film festival, writes Martin Hoyle from Edinburgh

Some of the Edinburgh Film Festival's big glamour guns - including *The Horse Whisperer*, *Primary Colors* and *Velvet Goldmine* - have been reviewed on their London appearance, others will be when generally released. Of the American offerings, Whit Stillman's immaculately Austenian *The Last Days of Disco* (reviewed this week) easily stood out, while *Fear and Loathing in Las Vegas* was an exhilarating surprise: Terry Gilliam's hallucinatory visual gift shaped and controlled for once, perfectly matched to Hunter S. Thompson's romping bad trip through the acidly viewed decline of Nixon's America. An unrecognisable Johnny Depp proves himself a better actor than any Hollywood pretty boy has a right to be.

International art or not, national characteristics will out. The twin streaks of fancy-dress and frisky coolish-Britannia whimsy were apparent in home-grown offerings. *The Tichborne Claimant* took a Victorian scandal - a butcher from Wagga-Wagga claimed to be the vanished heir to a wealthy baronetcy - and turned it into a parade of well-loved *eminences grises* of British character acting, even trundling on the talk-show presence of a faintly bemused John Gielgud. Fifth-form iconoclasm about British imperialism (I think) and a fatal mixture of tones - including a *defting homage* to *Kind Hearts and Coronets* - merely emphasise the galumphing pace. Won't wash. As Hugo said, it is permissible to violate history provided one has a child by her. This is merely a feeble grope.

Sumptuously filmed, *The Governess* is sometimes overwhelmed by its sheer visual opulence, but Sandra Goldbacher's first feature is a more assured slice of Victorianism. Clever Jewish girl taken on as tutor in Scottish

the falls for scientist paterfamilias; steamy sex and pioneer photography; smouldering Minnie Driver. Doubtless more anon. It would be tempting to blame the awfulness of *Bedrooms and Hallways* on an American director, Rose Troche, who has read the old Time magazine piece on swinging London and never got

**Edinburgh's true worth lies in the revelation it affords us from unexpected quarters**

over it. Bright young Londoners who look just like actors, living in prodigally spacious designer interiors despite apparently menial jobs in sandwich bars and furniture workshops, indulge in sexual self-questioning. Dishonestly cosy, the film makes the gay hero succumb to lovely Jennifer Ehle while leaving his flatmate a caricature flouncing queen. It kept reminding me of ferociously unfunny sitcom, a sexier, more pretentious *Friends*, say.

The French offerings were all too Gallic. Jacques Rivette's sub-Hitchcock un-thriller, *Secret défense*, rambles interminably through the paranoia of the heroine's brother concerning their father's alleged murder by his business partner and the heroine's inadvertent shooting of the partner's secretary. She may be a killer but she is also a Frenchwoman, and soon Sylvie (Sandrine Bonnaire) is addressing herself to rabbit and prunes, gastronomy taking precedence over homicide in the bet-

ter-regulated French households. The dead secretary's sister turns up in search of the missing girl and the business partner also acts true to form by whisking her into bed. Eschewing anything so visceral as suspense, the film drags its weary length through much cryptic chat between sullen people. A white-out screen in mid-conversation after two hours heralded an interval. With another 50 minutes to go, I slipped whimpering from the cinema.

Erick Zouca's *La Vie réelle des anges* garnered a joint best actress award at Cannes for its two stars, Elodie Bouchez and Natacha Regnier. Their characters, respectively cheerfully footloose and sourly love-starved, make for an oddly haunting friendship. Nothing haunts in Alain Resnais' lightweight latest, *On connaît la chanson*, not even the snatches of famous songs lip-synched on to equally famous actors in a conscious tribute to Dennis Potter and *Pennies from Heaven*.

This frothy round dance of bourgeois Parisians, their secret loves and glum aspirations, acknowledges another English *maître* in its cross-purposes and bottled-up emotions, as revealed by a poster for Scarborough improbably sited on the wall of a chic Paris flat: Alan Ayckbourn. *Hélas*, Resnais is no Ayckbourn: and in this film's leaden soufflé not much of a Resnais either.

Among the independents, *Pi*, fresh from acclaim at the Sundance Festival, gives every sign of becoming a cult. Gloweringly portentous, luminously shot in black and white, it combines the requisite fashionable ingredients of conspiracy theory (both Wall Street and militant Judaism) plus a dash of cryptic science. Director Darren Aronofsky's first feature is more assured in style than content. A great future awaits him in *The X-Files* unless he can avoid it.

As with any festival worth its salt, Edinburgh's true worth lies



Steamy sex and pioneer photography in an assured slice of Victorianism: smouldering Minnie Driver (left) in Sandra Goldbacher's first feature, 'The Governess'

in the revelation it affords us from unexpected quarters. Alexei Balabanov's *Of Franks and Men* is a disturbing, poignant and ultimately nightmarish story of early photography - and pornography - in turn of the century St Petersburg. Shot in sepia tones, the film, with its gallery of corrupters and corrupted, predators and prey, raises questions of innocence (does it even exist?) and original sin.

Images that linger are the Siamese-twin Mongol boys with angelic voices forced to sing before packed auditoriums while still derided as freaks. The mood is a blend of Gogol and Bulgakov, and the permanently grinning Viktor Soukhovorov as the pornographer's henchman is an evocation of pure evil as frightening as anything in *M* or *Nostalgia*. A French-Taiwanese produc-

tion, *The Hole*, also goes surreal on us. The hole in question is made by a clumsy plumber through the floor of a flat into the apartment beneath. The constant rain, scarcity of daylight and radio reports of an epidemic that makes its victims scurry in search of dark damp hiding-places on all fours set an apocalyptic tone.

The locals are being evacuated but some lonely individuals are keeping to their flats, growing more obsessive in their non-communication. Hinting at a cross between *The Metamorphosis* and Polanski's *Repulsion*, the film by Tsai Ming-liang (*Of The River*) also has its share of musical fantasy interludes (*Pennies from Heaven* has much to answer for); but its fla-

vour is all its own, its ultimate message hopeful, its mood affirmative. As it is in Petr Zelenka's *Buttlers*, interlinked episodes, some funny, some tragic, some surreal. The film has been taken on various symbolic levels in its native Czech Republic, but can be enjoyed as a very central European mix of dark humour, fatalism and weary hope.

Even more up-beat is the Australian *Dance Me to My Song*, a brave feature about a cerebral palsy victim (played by Heather Rose, who co-scripted what is painfully clearly an autobiographical work) wheelchair-bound and communicating only through a voice-machine, who finds love. And children remain the irrepressible symbol of hope, in the almost non-verbal Iranian *Dance of Dust*, humanity creeping through the hard life in a

brick works beneath the baking sun, and in *Central Station*. The latter, the top prizewinner at Berlin, is the warm-hearted if soft-centred story of a streetwise and cynical old woman who takes an orphan child across Brazil in search of his father. Only in one sequence, where a pliferer is chased and finally shot in summary justice, do we sense the brutality of a country where street children are reportedly rounded up by the police for God knows what fate.

The mood of Walter Salles' film is less *Los Olvidados* than *Paper Moon*, with Fernanda Montenegro and Vinícius de Oliveira standing in for the O'Neals, Ryan and Tatum, as the abrasively paired adult and juvenile who dislike each other initially... You can guess the rest. But it's still a real charmer.

Theatre/Alastair Macaulay

## A honed 'Hamlet' and Pinero revamped

Although Yukio Ninagawa is justly known as a wizard of technological stagecraft, the focus of his *Hamlet* production falls, invariably and refreshingly, upon his actors. Theirs is acting as craft, good old-fashioned skill, absolutely honed, and frequently very economical.

These performers all know how to stand still, how to raise an arm with authority, and how to project their voices without flamboyance or strain into the wide Barbican Theatre. Much of what they do is naturalistic, but, in its impressive restraint, you sense the lineage of a tradition of formal Japanese acting in which an isolated syllable, the flick of a sleeve, the turn of a head may express paragraphs.

Though the play is given in Japanese without subtitles, it is a much clearer account of *Hamlet* than we often encounter in English: you need little acquaintance with the play to know exactly where you are at every moment. One look at Hamlet, Ophelia, Gertrude, Fortinbras *et al.* and you recognise them at once. Sure, they were in partly Japanese attire; sure, non-Japanese speakers cannot tell precisely which line of a monologue or dialogue is being spoken; and yet this feels much more like *Hamlet* than most British produc-

tions: *Hamlet* both as story and as stage world. Around this, Ninagawa's production is a seamless depiction of naked theatre. Before the action, you see the actors at their separate dressing-room areas. The set is a bare one-tier frame. Like a magician, Ninagawa transforms this in mere seconds with palatial staircases or painted mountain scenery out of nowhere. When Fortinbras appears on his steed, his men bearing black pennants, you smile at the artifice (this is a stage horse with humans inside, these flags seem to be made of cardboard) even as you surrender to the illusion the horse's behaviour is much more realistic than the real one's in Luc Bondy's *Don Carlos*, the flags seem tattered by wind and war).

Nonetheless, at least to this non-Japanese viewer, this is *Hamlet* seen only from the outside. As the prince, Hiroyuki Sanada is rather like the ballet dancer Anthony Dowell: he does too much twirling the drapery in his cloak, and attracts too much attention to his wrists and striking *épaulement*.

Elsewhere, there are some unnecessary Big Moments: a slower-than-slow tragic exit for Gertrude up a staircase, some fingernail-scraping, along-floorboards for mad Ophelia. But everyone is involved in communicating, harmoniously, a play and style larger than themselves. This is not *Hamlet* as encompassing spiritual drama. As serious narratives, however, and as dignified acting, it is a rare event.

The Orange Tree Theatre, Richmond, makes no bones about the fact that Pinero's play *A Wife without a Smile*,



A rare event: Takako Matsui and Hiroyuki Sanada in the Ninagawa Company's 'Hamlet'

was a flop in 1904. And its new production succeeds just as you might hope: the audience relaxes into laughter from the first minute, everyone sees quite why a 1904 audience might have felt uncomfortable, and the play is so agreeably and briskly performed that it never flags.

Actually, this achievement is more exceptional than you might suppose. Pinero has become remarkably hard to put across in the more liberal climate of today. Often in his comedies he seems to address the hypocrisies, snobberies, and prejudices of the complacent bourgeois world only - after a little comic embarrassment - to commend them. Three times

at Chichester during the 1980s I have found myself loathing a Pinero play with violence, because its attitude seemed, now, repulsive.

But Pinero was a craftsman, and it is possible to give his plays new life if one gives him full value - making both his values and his skill real. The charm of the Orange Tree's *Wife without a Smile* is that it does not take sides. You laugh with the jokester Mr Ripplingill and his chum Mrs Lovette about the humours of the new Mrs Ripplingill - but you also see how callow Ripplingill's pranks are, and you find his wife, from the first, a surprisingly touching figure. His worst prank - to sus-

pend from the ceiling a doll that will vibrate whenever "spooning" or similar (presumably amorous or erotic) activities occur on the sofa in the room overhead - really is a perfect stroke on Pinero's part, because (at least in 1904) it is constantly funny but also vulgarly insensitive. So it illustrates Ripplingill's character; and, by a nice plot twist, becomes in due course the petard upon which he himself is hoist. Then the plot goes on twisting until we see hypocrisies all round.

Consequently it takes very well to the Orange Tree's space, with the audience on four sides of the action and on two levels. Dominic Hill, directing, keeps matters at a

keen tempo, but full of nuance. The double play between Mrs Lovette and Mr Pullinger, as played by Tricia Kelly and Richard Heffer, becomes the high point of the evening, out of context, it is impossible to explain why some exchanges - Pullinger: "Mention my name". Lovette: "I will" - are as hilarious as they prove. No performance is more rounded than Kelly's: but Sarah Tansey, in the title role, leaves an affecting, subtle impression upon memory. The entire ensemble, including a captivating toy elephant, moves with a swing. In 1904, *A Wife without a Smile* seemed naughtily Parisian; in 1998, it seems irreducibly English.

Cabaret/Antony Thornecroft

## A diva with attitude

London's Donmar Warehouse is concluding its short season of summer cabaret (it ends today) with a British diva. Imelda Staunton. It is, of course, a joke, and one that is enjoyed as much by Staunton as by the audience.

To join the diva's club you must take yourself terribly seriously and totally lack a sense of humour. Staunton is wildly funny, not least about herself. You must also be of imposing presence: Staunton is on the stocky side of short, a red haired and feisty Irish battler. But she spends a happy two hours, singing an eclectic range of her favourite songs and sending up divas rotten. "Here's one I think you will know", she smiles sweetly, adding between clenched teeth "that doesn't give you licence to join in". Halfway through the usual bludge about how wonderful it is to be here in London she breaks off - "Wait a minute: I'm a north London Equity member who's working this week."

By the interval she is in full diva flow, assuring the audience that she is going off to give the back stage crew hell, be extremely charming to Donmar artistic director Sam Mendes "to his face", and to ask for two hefty stage crew to be sent to her dressing room to unplug her sink. Happily the jokes do not get in the way of the music. Imelda Staunton is an accomplished character act-

ress, and the knock out numbers are the ones, such as "Frankie and Johnny", where she can get teeth into the story-line and almost explode with intensity. She is not afraid of childhood favourites: it must be some time since the moving "Danny Boy" and the sentimental "You are my sunshine" were heard on the cabaret circuit.

Her other material is slightly more contemporary, ranging from the Beatles number "If I fell to Buddy Holly's "Raining in my Heart". There is also a generous leavening of country and western and blues, both styles that suit the Staunton commitment. She is particularly scathing about country girl singers who let their men walk all over them and then say sorry.

The Staunton voice is more powerful than true - when she sang "You don't have to say you love me" there were echoes of its creator Dusty Springfield - but she performs with real conviction, more so than most divas. Her "Stand by me" was a knock-out, and if musical director Nick Lloyd's arrangements for the 10-strong band were sometimes too cute, it was good to have backing musicians as brassy as Staunton.

This was cabaret without camp, admirably performed by an entertainer rather than an ego. It makes for an enjoyably relaxing evening.

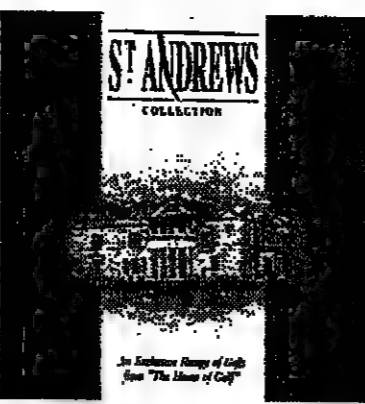


Wildly funny: Imelda Staunton

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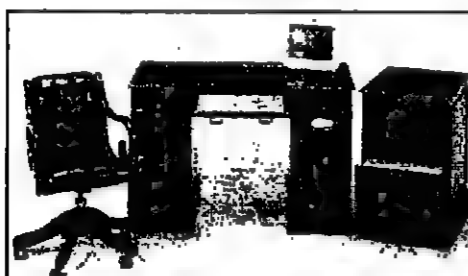


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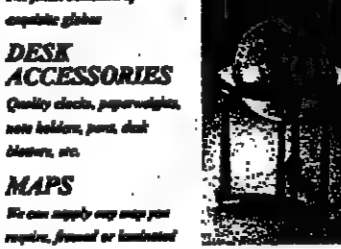
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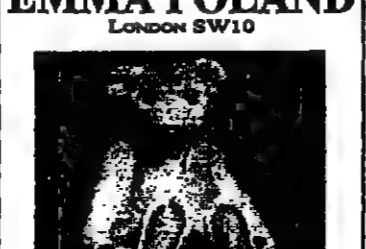
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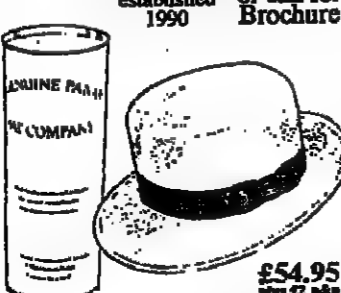


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# How to Spend It

## Designer immigrants flood into Bargainsville

Edward Lamont on why 'half-naked Europeans are flying into New York with empty suitcases'

It was a rhetorical question. "Purchasing power? You want to talk about purchasing power? We have plane-loads of half-naked European executives flying in here every day with empty suitcases. They do their meetings, hit the stores, and head home smiling - even after excess baggage charges."

I had been discussing the relative merits of shopping in Europe or the US with a Wall Street hedge fund manager during his lunch, a six-pack of diet cola consumed while gazing at his screens and clicking away on his mice. "Sure, beer and baguettes are great in Europe, but this is where you get the biggest bang for your buck."

I was much chastened by the conversation, not least because I had arrived with an over-full suitcase, and was in no position to profit from the clothing bargains he claimed could be found on virtually any street corner in New York. On my next trip, I resolved to see if my pounds and pence would make more of a bang if I spent them as bucks.

Phone calls to long-term New York residents got a fairly consistent response. If time was of the essence, and money no object, I was told to head straight for the designers or department stores for one-stop shopping. With a tight budget but plenty of time, it was suggested that I try to beat the market at the discount stores. Armed with a list of addresses, I decided to check out both options for future reference.

At the designers you are treated to trendy interiors, beautiful salespeople, and the latest fashion speak. Phrases like, "the power just isn't in the shoulders this year, it is in the monochromatic colour statement," just roll off their tongues as if they were all aspiring art critics. The price for being the focal point of all this

postmodern posturing is high, but there are few experiences that can match it for an early evening ego boost.

For big designer names a good place to start is at Madison and 72nd, where Ralph Lauren stores occupy both sides of the street: Polo on one side, Sport on the other. In the Polo shop, a summer-weight, button-down shirt that retails for £75 (\$124) on Bond Street was priced at \$59.50, giving me some inkling of what the colabolic Master of the Universe was ranting about.

From there, a walk down Madison through the 60s and

**They do their meetings, hit the stores and go home smiling, even after excess baggage charges**

60s passes the big designer flagship stores. Think Bond and Sloane Streets combined, double it, and you begin to get some idea of the names you will find on Madison Avenue - Yves Saint Laurent, Prada, Versace, Kenzo, Moschino, Armani, Valentino and Calvin Klein.

If time is very tight, head straight for midtown and the Big Ba. Bergdorf, Barneys and Brooks Brothers, all of whom can outfit you from top to toe and have alterations done inside a day. Barneys and Bergdorf Goodman are located within a few blocks of each other, and have huge menswear departments carrying the latest designer lines. Brooks Brothers carries only own-label goods, but it is a name with a worldwide reputation for quality and style.

Up to this point, I had seen a lot of great clothes at rela-

tively attractive prices, but I still was not finding the kind of deals that would induce me to fly into New York half-clothed. It was time to check out the discounters.

This is not for the faint-hearted. It takes a brave soul to confront the mountains of clothes and wild-eyed bargain hunters, and still plunge in to find the real steals.

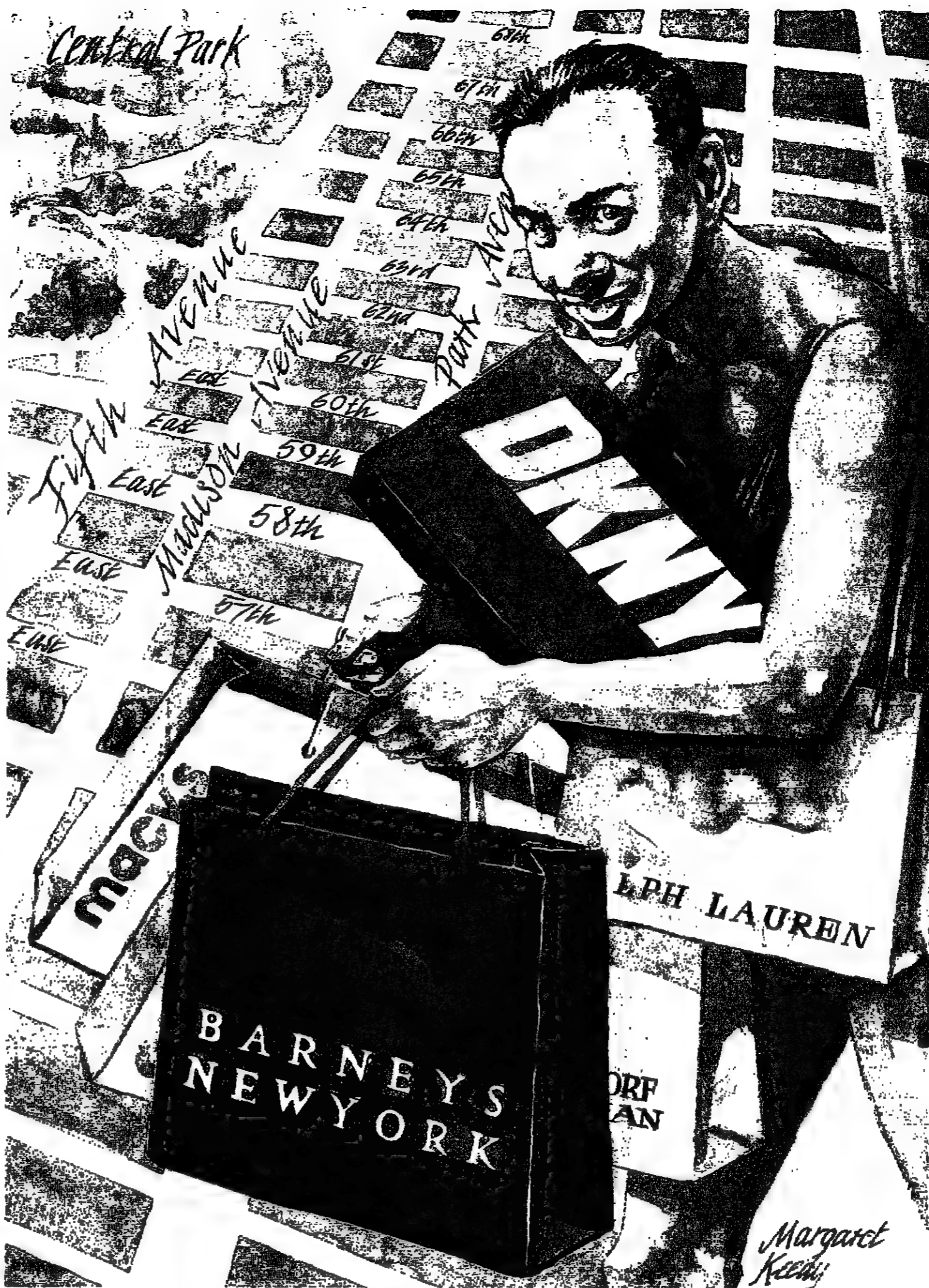
It requires a Kipling-esque cool to keep your head when all about you are losing theirs. Only the iron-willed manage to do the ruthless things necessary to buy only things they want or need, and not bankrupt themselves by saving so much money in the "sale".

Discount stores can sometimes feel a bit like something from *Gulliver's Travels* because so much of the merchandise seems to have been created for Lilliputians or Brobdingnagians.

While there is always something for every size and shape, the best selection is reserved for those who stray from the norm. This applies in matters of taste as well. If you are comfortable dressed in what appears to be an extremely well-made Italian clown suit, then you will have plenty to choose from at the discount stores. But even those with more discerning taste will find incredible bargains if they spend some time sorting through the unwearable dross.

A short walk over from Madison to the Park Avenue branch of Saks. The store takes deliveries of new merchandise every day, and is full of American mid-range designer names such as Bill Blass and Geoffrey Beene. Still, a bit of spawdew turned up some big-name bargains.

On the second floor, a blue pin-stripe Ralph Lauren Polo suit was marked down from \$775 to \$399, and a grey two-button Calvin Klein suit was \$790 instead of \$1,500. Valentino shirts were down from



\$110 to \$69, and Burberry's camel-hair overcoats were \$459 instead of \$650. None of these items had any visible defects, but it is worth

looking the goods over closely, because there is only store credit for returns.

Daffy's "Clothing bargains for Millionaires" is diagonally across from Brooks Brothers on Madison, and is worth a visit for its huge selection of silk ties, all priced at \$16.99.

Prices like this make for strange behaviour - one eager shopper was pouring through the thousands of ties one by one, slowly numbing himself by draping his initial selection of 30-odd ties over his various appendages.

Just off Madison on 42nd Street is Dollar Bills, perhaps the most civilised of the discount stores. The merchandise is presented much as you would find it in a normal department store, and has not quite the same rabid edge of the other discounters. The men's department has a good selection of suits by Boss (\$499), Zegna (\$599), Canali and Armani (\$699). Donna Karan shirts were \$50, Zegna French cuffs just \$90, and Ralph Lauren Purple Label shirts only \$70 (\$42), instead of \$195. This is where the relative price differences between London and New York begin to get really interesting. Purple Label shirts retail in London for up to £145.

Store manager Steve Resnick says: "We only buy this season's styles, and we don't

do seconds. But it isn't easy being a discount store in midtown. We can't do any advertising, because the retailers go crazy when they see the prices we are selling the same goods for, and we get trouble with our suppliers."

And then there is the marvel of Century 21. Located downtown, just a heartbeat from the twin towers of the World Trade Center, Cen-

**It takes a brave soul to confront the mountains of clothes and wild-eyed bargain hunters**

tury 21 is like an enormous year-round Christmas Eve shopping experience. An army of green-jacketed staff battles each day to maintain order as wave after wave of deal-hungry consumers pour through the doors to find the best bargains.

On the mezzanine level, men's suits are on sale from Hugo Boss, Fendi, Pal Zileri, Zegna, Armani, Ferre, Donna Karan, Calvin Klein and Cerruti. Fendi three-button suits were selling at

\$400, instead of \$1,200. Lanvin suits were \$500, instead of \$1,300, and Purple Label suits for \$700. Instead of \$1,900. Rough calculations indicate that these suits are selling at roughly a quarter of normal London retail prices. You will have to get your own tailor to do any alterations, but if he can't do the work for a small fraction of what you saved, then it is time for a new tailor.

Saving money on shirts and ties is one thing, but buying shoes at a discount is quite another.

While there are a huge number of shoes on display, most could only decently be worn for very specific occasions, such as repainting the kitchen. Better then to pay full-price at Alden or Allen Edmonds, two American bootmakers recognised by their English counterparts for producing top-quality shoes. Alden does a magnificent line of shoes in genuine shell cordovan from \$365 to \$400, and sells calfskin shoes at \$240 to \$290.

For all the other hits - belts, ties, socks and underwear - don't even think of paying retail. The walls of the discount stores are sagging with racks of belts and ties in a mute but colourful testament to the over-optimism of designer marketing teams. Then consider designer socks, retailing in London for £15 to £20, with a

suggested US retail of \$11, but available at Century 21 for just \$7. Or Calvin Klein's boxer shorts, which retail for £15 in London, \$18 in New York, and are carried by Century 21 for \$9.

There is no reason for buying in London when bargains like this are available, just a few hours' flight across the pond. From now on, the only thing I'll be putting in my suitcases to New York is an extra bag.

And getting through security will be easy - if a bit chilly - dressed only in my \$9 boxers.

\*P.S. Don't forget, though, to declare your purchases at customs, and duty varies between 12 and 13.2 per cent, depending on the item.  
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## Still in vogue and drawing them in

Fashion drawing is part of a long and honourable tradition. As a child in South Africa my first images of the far-off, refined and ineffably glamorous world of fashion came via Vogue illustrations.

These had an infinitely more powerful pull on the imagination than the more precise and dramatic images of the photographer. Vogue between the wars and imme-

diately after the second world war was a great patron of young artists and its commissions provided the stimulant and means for fashion drawing to flourish.

As William Packer, the Financial Times' art critic, puts it in his book, *Fashion Drawing in Vogue*: "Even the drawings, the marginal croquis and vignettes supplied by minor, perhaps anonymous artists, often point the mood and spirit of the

moment with a poignancy which photographs could never match." Quite so.

This tradition is not dead. At the Weekend FT and in the How To Spend It magazine, we have, for the last few years, been commissioning David Downton to bring back images from the Paris fashion shows. His drawings have been a delight. Dior, Chanel, Valentino, Lacoste - he's seen them all and his images can now be seen and

bought at The Coningsby Gallery, 30 Tottenham Street, London W1 9PN from Monday, September 7 until September 12. It features drawings, watercolours and paper collages and shows him to be a fashion artist in the grand tradition. Prices will range from £200 to £900 and the exhibition is open from 10am until 5.30pm each day.

Lucia van der Post

# How to Spend It



From the Caroline Charles Home Collection: creamy throws, antique lace teamed with simple plates, and her own range of cutlery, all for sale at 55-57 Beauchamp Place, London SW3



Porcelain jugs by Hilary Roberts, £45, £95 and £95. They can be seen at Margaret Howell's store, 24 Brook Street, London W1



A selection of antique French linens, each individually priced, and lavender water for ironing, £22, all from Margaret Howell

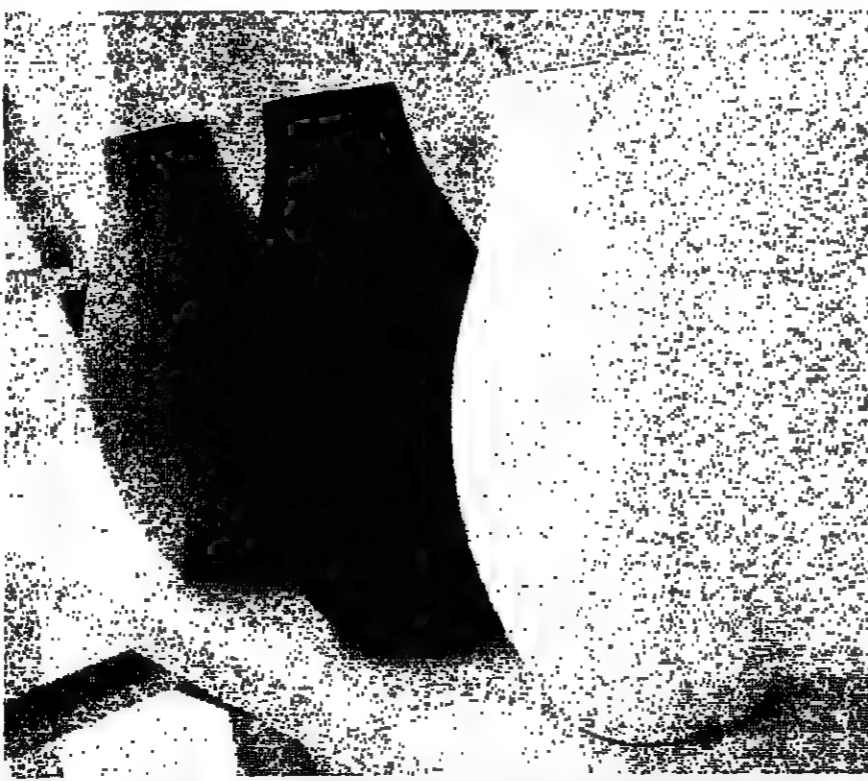
## An invitation to dress up your home

A revolution in interior design is about to be launched – elegant home furnishings that everyone can afford, writes Lucia van der Post

Fashion designers have been producing diffusion or – to put it more plainly – less expensive ranges for many a long year. Ralph Lauren, Calvin Klein, Yves Saint Laurent, Giorgio Armani, Versace and their like have not paid for their penthouse apartments, their châteaux and their palazzos with a few exquisitely wrought creations for some of the world's richest women.

Lovely though it is to dress the wives of heads of state or vanished kingdoms, or to sell to Gwyneth (Paltrow) or Nan (Kempner), these rarefied creatures between them could never buy enough frocks to keep their designers' in the style to which they have grown accustomed. It's the diffusion lines that sell something of the style and glamour to an infinitely larger number of customers that bring in the serious money.

Given their profitability, it is odd that it has taken so long for the notion of diffusion or secondary lines to



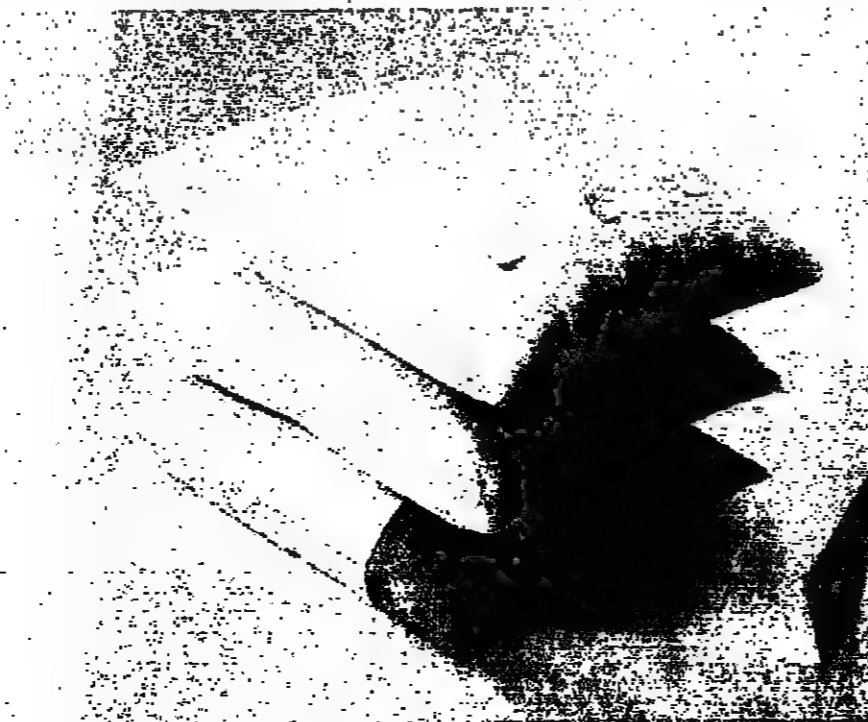
Vases from Kelly Hoppen for Debenhams, £25 each. The Hoppen range, including bedlinen, storage boxes, glasses, candles and picture frames, can be found at 26 Debenhams branches from this month

**'What I've tried to do is produce the sort of things that I'd like to use myself'**

emerge in the field of interior design. Think of a David Hicks, a Nicky Haslam or a Colefax & Fowler – the big, grand name is all and the very idea of diluting the brand is unthinkable.

This week, however, sees the launch in the UK of some adventurous initiatives in this direction, most notably when Debenhams, which has been making something of a speciality of forging partnerships with bright young designers, puts on sale a range of keenly priced homewares from some very sassy names. With the vast buying power that Debenhams is able to command, the value these ranges deliver is astonishing.

Kelly Hoppen, one of the hottest interior designers around, responsible for doing up grand houses from the Bahamas to the Maldives and beyond, has turned her talents to bringing her own look to the masses. Going into 21 Debenhams branches this month is a range of homewares that reflect Hoppen's way of combining the simple and the exotic, and her particular brand of restrained east meets west. Here you can find the



Linen buttoned-down cushions are part of the Kelly Hoppen range for Debenhams, £30 each

ingredients that go to make up the look – bedlinen and napery in black, taupe, cream or rust, linen runners for the table in beige, putty, cream or rust, lacquered trays and storage boxes rather like Chinese trunks, great big dishes, simple but splendid glasses, square chunky candles and storage jars, picture frames and cushions.

The range is large, exceedingly elegant and very well priced, with almost nothing costing more than £30. If the range does well – and I pre-

dict it will do extremely well – then there are plans for expansion, with furniture possibly on the agenda.

Jasper Conran, who has been designing J Line, a reasonably priced, clean-lined collection of clothing for Debenhams for the last two years (a J Line trouser suit sells for between £250 and £300, while a mainline collection trouser suit sells for between £750 and £900), has now directed his talents to developing a J Home collection, which will offer just as startling prices. Here are

crisp navy and white striped sheets, fluffy towels in blue and white, faux-fur cushions, throws in fine wool chenille and cotton cable as well as storage boxes in leather and mock lizard.

Jasper himself makes no grand claims for the collection. "I'm not reinventing the wheel, but you'd be amazed at how difficult it often is to find the simplest things at these sorts of prices. What I've tried to do is to produce the sort of things that I'd like to use myself. What excites me

most is to be able to make a product that looks as if it costs five times the price and that's what I think we've done." Three-quarters of the J Line range is priced at under £50 and nothing costs more than £100.

Both Hoppen and Conran cater for those whose tastes run to the simple, the clean, the modern – not for those whose idea of interior design is chintz and furbelows.

If all that restrained simplicity is too sober for your taste, take a look at Cath Kidston's pretty and nostalgic collection of rosebud-strewn bed and bathware, which Debenhams launched earlier this year. Here is the cultish Cath Kidston nostalgic look at exceptionally good prices – they start at £5 for a padded hanger, while a pure cotton, flower-strewn pillowcase is £12.

Though producing a range of diffusion or cheaper homewares is new for Debenhams, the tradition of fashion designers turning their talents from frocks to the home is not. Ralph Lauren started it way back in the early 1980s, and did it so successfully that many others have been tempted to follow in his profitable footsteps. Now almost every fashion store, whether it be Donna Karan, Calvin Klein, Nicole Farhi or Whistles, has a collection, even if it's just small, of linens and pots, cushions and candles.

The latest fashion designer to spread her wings in this direction is Margaret Howell, a quintessentially English designer, much sought after for her restrained and impeccably plain white shirts, linen trousers and slightly mannish tweed jackets. Her clothes have a timelessness about them, a lasting quality, a lack of ornamentation or excess that makes them

seem beyond fashion. And so it is with the small range of homewares that she is launching in her own and other shops this week. Think of a clean and fresh kitchen filled with the aroma of wholesome organic food and then imagine the sort of props you would fill it with – these are the household objects Margaret Howell has recreated.

Creamy jugs, simple glazed bowls and hand-thrown pottery, old French jam jars and glassware, natural beeswax taper candles, heavy-gauge linen aprons.

Think, too, of an old-fashioned linen cupboard – Irish linen sheets and pillowcases, distilled lavender water for ironing, calico mattress covers, cashmere and merino blankets, as well as a selection of antique French household linens.

For the bathroom, there are natural or white linen laundry bags, huckaback linen towels with shirring ticking and – but, of course – her own range of body lotions and soaps. All these are irredeemably attractive to those who think the old, classic wares are best, and Margaret Howell's flagship store, at 24 Brook Street, London W1, will, from mid-September onwards, be selling both the new collection (primarily based on old, traditional designs) and a selection of antique wares.

Finally, it seems too little known that Caroline Charles, whose brand of well-bred clothing is perfectly judged to see her customers through all the occasions that make up the British social season, has launched a home collection of her own. It can be seen on the first floor of the Caroline Charles shop at 55-57 Beauchamp Place, London SW3, where throws and cushions, the bedlinen and blankets, the clocks and lamps, glassware and china can be seen (and bought), beautifully mixed with antique mirrors, old furniture and artefacts.

## COLLECTING

# Cramped and expensive, but boring – never

The Paris Biennale is where the richest clients can find the finest works of art, says Nicholas Powell

It is one of the oldest arts and antiques shows in the world – the mother of them all, its organisers like to think. Longer running, more lavishly presented and costlier than its streamlined younger rivals, the *Biennale internationale des antiquaires* in Paris is still the place where the largest number of the richest clients coincide with the most expensive and sometimes the most beautiful works of art in the world.

The XIXth Biennale will be held in the Carrousel du Louvre, the basement showrooms adjoining the Louvre, from September 18 to October 4; its former and far grander venue, the Grand Palais, has been closed since 1983 for repair works that have yet to begin.

About 100,000 visitors are expected to cram into the Carrousel, which has no daylight, not much ceiling height and only enough room for 120 dealers – far fewer than would like to attend – representing virtually every major collecting field. This year's Biennale will also be international merely up to a point: 80 of the stands are French and most of those are Parisian.

Only two American dealers, Ariadne Galleries and Piero Corsini, are making the trip, while a dozen leading Paris dealers, many put off by the cost of a stand

(£150,000 on average) have preferred to stage exhibitions in their galleries.

The Biennale is also taking place against a background of unprecedented uncertainty about the future of the French art market; early next year, after innumerable false starts and bureaucratic delays, Sotheby's, Christie's and other foreign auction houses will be free to hold sales in France

Many dealers are worried that auction houses will lure buyers and sellers away from their galleries

when the four-century-old monopoly of the native auctioneers, or *commissaires-priseurs*, is finally abolished. Ostensibly delighted about the commercial shot in the arm they hope Sotheby's and Christie's will bring to France's sluggish art market, many dealers are worried that the auction houses will lure buyers and sellers away from their galleries.

One certainty, however, is that elaborate, top quality 18th century French furni-

ture will, as usual, be the hallmark of the Biennale. The predominant fashion within that field is for gilt wood pieces, and east coast Americans with fresh fortunes, making a serious comeback in Paris galleries over the past four or five years, are expected to be the most serious buyers. Dealers complain that there is only a handful of big-time French collectors, while members of the liberal professions who used to buy are now too heavily taxed to collect.

Among the 18th century furniture specialists, Jacques Ferrin will be showing Louis XVI chairs by master ebanists G. Jacob and J. Auvie, while Camille Burgi will sport an exceptional two-drawer Louis XV/Louis XVI commode decorated with lacquered chinoiserie panels by the ebanist François Rubetuck. Paris dealers Aaron, Orts and Mikaeloff will also feature lacquered commodes on their stands, while Ariane Dandois will give pride of place to exuberant painted and gilt 18th century Italian furniture.

To place or hang above such lavish furnishings, the Biennale will evidently have art objects and paintings in abundance. Carole Thibaut-Pomerant will even have antique wallpaper on offer, dating from the early 19th century (including some 1820 rolls depicting Parisian monuments) to 1930s Art Deco.

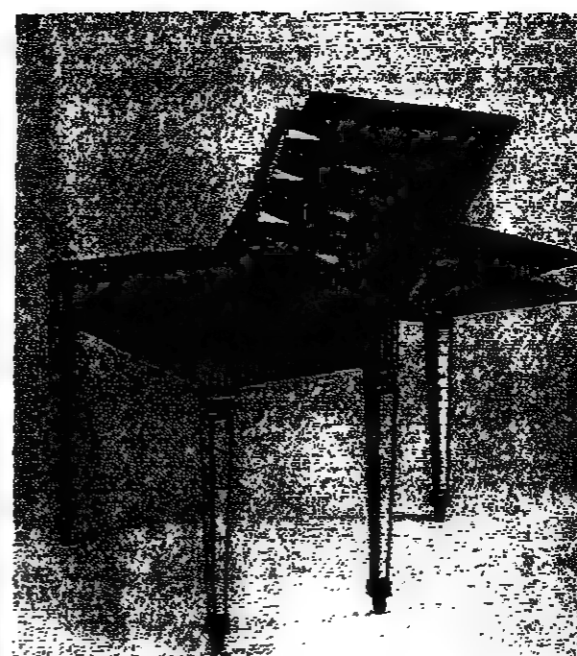


'Portrait of a Young Man' by Perugino, circa 1475, which is being shown by Giovanni and Claire Sarti

Collectors with really big walls, meanwhile, may turn to tapestry dealers such as Galerie Blondeel-Derooyan (also dealers in archaeology), who will be showing an important Brussels tapestry from the series "The Story of King David", 1590-1540, or Galerie Chevalier for, among other rare and beautiful things, a riotous early 18th century English work entitled "The Inn of the White Swan". Olivier Watelet, meanwhile, will propose a

Louis XIV-style tapestry of 1946 by Maurice Brianchon. Always strong in Art Deco thanks to dealers such as Vallois, who is bringing an entire collection of Rublmann furniture, the Biennale has responded to the recent surge in interest for the 1940s and 1950s by including major designs from those decades. Watelet, for example, will have an extravagant 1936 dining room table resting on four claw feet and entirely covered with mirror marquetry, by designer Serge Roche, while dealer Yves Gastou will have a wide range of furniture by 1930s designer Marc du Plantier.

The Galerie Jousse Seguin will show work by pre- and postwar furniture designers Alexandre Noll, Jean Prouvé, Charlotte Perriand and Jean Royère. Ceramics will also be a strong sector, thanks to dealers such as Lefebvre (rare Paris and Sèvres porcelains,



Dider Aaron is showing a pair of German card tables, 1780-90

16th century majolica), Jean-Gabriel Peyre (French provincial and 18th century Delft ware) and J.M. Beaul, boasting Venetian majolica, Delft, Sèvres and Meissen porcelain. There is little archaeology and virtually no tribal art at the Biennale: art objects start with the 13th century in the form of Limoges enamel plaques on the stand of medieval and Renaissance specialist Brimo de Laroussilhe, who also has one of the most spectacular textile exhibits in the Biennale – a fragment of 11th century red and beige cloth from the shroud of the early Christian Spanish martyr, St. Librada.

Ancient Chinese art, often outstanding, will be found with dealers such as Gisèle Croës from Brussels and Michael Goedhuis of London, who this year is also showing Japanese and modern Chinese paintings.

Prime quality Italian gold ground and Renaissance paintings, meanwhile, will be found with Brimo de Laroussilhe and Giovanni and Claire Sarti – the latter showing a "Portrait of a

Young Man" by Perugino, circa 1475, and a beautifully preserved *cassone da nozze* or wedding chest, depicting the Story of Lucretia, from Siena, circa 1440-1450. Galerie de Jonckheere and Bob Haboldt will field Flemish and Dutch painting from the merely decorative to the truly artistic, while P. & D. Colnaghi will boast, among others, a major Caravaggio originally from the collection of the Duke of Bolton, depicting the *Molo* and the Palazzo Ducale in Venice.

More modern paintings and drawings will be found with Brims & Lorenson, Cazeau-Beraudiere, Galerie Schmit and Galerie Hopkins-Thomas. The latter is hanging a Balthus nude that it claims is one of the finest ever seen on the market. Cramped and ultra-expensive the Biennale may be, boring it will not be.

"Most people interested in art and antiques go to the Biennale. It still has a unique flavour, a certain French panache and is such a worthwhile investment," says Michael Goedhuis.

## COLLECTING

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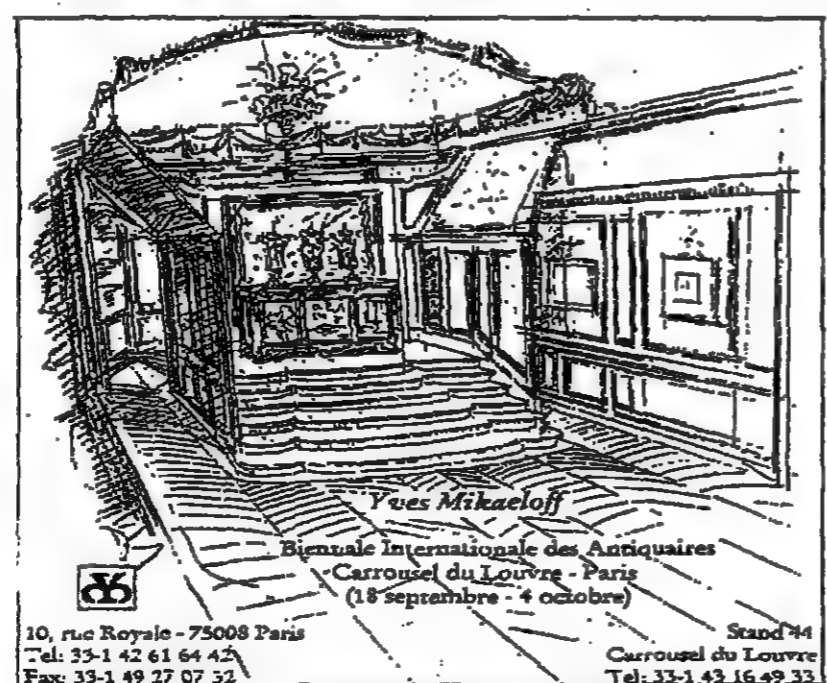
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"14 Juillet au Havre" - 1906  
Oil on canvas  
Signed lower right "Raoul Dufy"  
25 1/2 x 21 1/4 in.

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COLLECTING

# Photography is now a serious subject

Lauris Morgan-Griffiths explains the attractions of the genre

Two events in recent history have concentrated the mind on the value of photography as art. In 1984, the Getty Museum in Los Angeles announced it had acquired three important collections: those of Sam Wagstaff, Arnold Crane and Burt Foster.

Then, in 1989, exhibitions were held around the world to celebrate the 150th anniversary of photography which showed the individual wealth and breadth of the history.

According to Philippe Garde of Sotheby's, the subject of the Getty announcement was the realisation that "if the Getty Museum took photography seriously as art, it was serious. It also meant that the photographs those collections had been taken out of the public domain. They would never come on to the market, so were lost forever to collectors and other institutions."

Overnight, photography was bathed in a different light. Britain has lagged behind the US in embracing photography as art. However, this year the opening of the Victoria & Albert Museum Photography Gallery, and the first lectures on collecting to be held by Christie's have given photography credibility.

Both Sotheby's and Christie's hold regular photography auctions. Private galleries are burgeoning. Britain's reticence is also its gain. Zaida Cheate of the Zaida Cheate Gallery maintains: "Photography has been taken much more seriously here since prices

increased. Prices in London are certainly lower than in New York. There is the possibility here to put together a really good portfolio from the younger generation of photographers whose prices are accessible and affordable. That is not possible in the US because galleries are usually showing superstars and the tried and tested."

As in the rest of the art market, there are no rules to collecting. Collectors vary. Some concentrate on a theme, others on photographers or on an eclectic, personal mix. A collector in New York collects only hands, another sunflowers, someone else collects photos of people with eyes closed or averted.

As Garne says: "The best collections have been bought from the heart. Good collectors go on a limb ahead of the market place. Later the pack catches up and they are then congratulated on their integrity and foresight." Some years ago, an American started collecting unknowns, the unknowns became known and now he has a valuable collection.

Pierre Brown has built up an intriguing collection of more than 500 photographs that spans the history of photography from the 18th century, early 20th to the present day. He goes for images that he can empathise with but ranges through the early beginnings of photography, through surrealism to the gritty photographers of today. He particularly likes photographers who reflect a particular time - Larigue for the 1920s, Chris Killip and Graham

Smith for the depressing bankruptcy of 1980s Britain.

"It is the image first, then the quality. A gallery would probably say those were the wrong way round. After those two, then I like to know the photograph's provenance, an aspect which is becoming more important," says Brown.

Sascha Hackel and Marcos Bury are keen collectors whose passion has seeped into dealing and has now overflowed into a gallery -

**One collects only hands, another sunflowers, or photos of people with eyes closed or averted**

HackelBury - opening in the autumn. From being "out of control" Hackel and Bury have built an impressive collection that embraces landscapes, nudes, portraits and fashion. Bury describes its underlying theme of "great pieces by great photographers".

On collecting, Hackel advises: "First, you have to adore the photograph. You just have to have it. Then you look up the photographer's track record. If I loved one image by a photographer but I didn't like the rest of his work or I found it substandard, I wouldn't buy that piece. It must come

from a strong body of work."

Michael Wilson, the James Bond producer, has an internationally acclaimed collection of primarily 19th century photographs. His advice to fresh-faced collectors is: "If you buy for investment, you'll probably go wrong. If you buy what you like, you'll probably go wrong. If you buy something that disturbs you or intrigues you in some way, then you are probably somewhere on the right track. That way at least you won't get bored with it."

Pierre Brown bought his first photograph, a picture of Sir Michael Redgrave by Armstrong Jones (Lord Snowdon) at a charity auction 15 years ago. That was his initiation and since then "it has got worse and worse".

Early on, he bought at auction because there were not many galleries in London, but now he buys mainly from dealers. "When I started I didn't know enough about the quality, and it wasn't always there, the prints were faded. I've learned through experience, I've moved on and I've traded some work as my eye has got better."

There are vintage prints, non-vintage, modern prints, limited editions, named photographers, photographers who print their own work and those who don't. There are many types of process. The only way to distinguish between them is to look, look and look again. And ask questions. In London there is no excuse not to seek out, handle, smell, see good work, even compare



"Smoke and Vail #2, Paris 1985, Vogue", by William Klein, is estimated at £1,200-£1,800

different prints of work from people as diverse as Paul Strand and Cindy Sherman.

Vintage prints are printed in the year the picture was taken and can be very different in tone, size and paper to the later modern prints. Whether to look for limited edition or non-limited edition is answered by the photographer themselves - some keep their work unlimited. A photographer might announce an edition of 25, but the full edition might never be realised. Norman Parkinson might have announced an edition of 20 - yet only printed five before he died. Eve Arnold has

printed as few as three or five of some of her unlimited edition images.

Cheate does not necessarily favour the limited edition. "Sometimes a photographer will run off the whole edition; consequently they will all look rather similar. If a photographer prints one specifically for you, each of these prints will have a different emotional feel, a print can be totally different in size and feel 20 years later. Some of Fay Godwin's early prints were small and dark; then later she produced big silvery prints."

"Some people prefer modern prints," says Alison Jef-

fery Kist of Christie's, "because they are in excellent condition and are often a larger image than the original print."

Rachel Malcolmson disagrees that her collection of either fashion photographs or ethnic primitives - Parkinson, Klein, Horst, Wegman, Penn, as well as contemporary photographers - is vintage. "First, you fall in love with the image, then later you notice the texture, paper, colour, luminosity and depth. It might appear to be just a black and white image but there are hundreds of different blacks and whites and semitones. It is a

genre in which you can still buy the very best at an affordable price."

There are still good buys in any market. Hackel thinks that there are investment possibilities in Irving Penn - if it is not one of the favourite images, "you can still buy a Penn for about \$3,000, Frank Horvat for about \$1,200 and Cartier Bresson for about \$3,000 - but that will be an open edition and printed for him."

Cheate thinks the same of Eve Arnold and Bill Brandt - "a vintage print can cost between \$4,000 and \$8,000, recently at auction one went for \$26,000; a signed non-vintage Bill Brandt is \$1,500-£1,800". But Bury thinks you can still have fun at the lower end of the market. He has a collection of tintypes valued at about £500, some of which he picked up from markets and boot sales for as little as 20p. Recently in the US, a tintype of a Canadian Indian was sold for as much as \$30,000.

Garner warns that contemporary photographs have not yet reached a reliable secondary market. However, Brown, who reckons the value of the better quality images in his collection would have increased three-fold, remembers "about 15 years ago, you could have bought a Horst - the classic image of the woman in the corset - for about \$500. That is more likely to fetch \$10,000-\$15,000 today, which would not be a bad return on the stock market."

■ **Galleries:** HackelBury Fine Art, 4 Launceston Place, London WC2; tel 0171-837 8688. Zaida Cheate, 99 Mount Street, W1; tel 0171-408 4448. Hamilton, 18 Curzon Place, W1; tel 0171-499 9483. The Photographers' Gallery, 5 Great Newport Street, WC2; tel 0171-379 1773. The Special Photographers Company, 81 Kensington Park Road, London W11; tel 0171-221 3489. Christie's, South Kensington, auctions 20th century photography on October 8 Sotheby's London photography sale is in May.

## COLLECTING

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## FOOD AND DRINK

## Cookery courses

# Learning some food secrets from the CIA

Anissa Helou goes to California to find out how the skills of food industry professionals are honed

It was not my idea. I was having lunch with a friend when he sprang the question on me: "Why don't you take a cookery course for professional chefs?" Having just written my second cookery book and figuring I knew my way around the kitchen as well as anyone, this was somewhat of a surprise.

Even so, the idea intrigued. After all, I was only a home cook and had always envied restaurant chefs their speed and efficiency.

The suggestion took flight when, a few days later, I read about a new Californian branch of the Culinary Institute of America, better known as "the other CIA". The institute is the premier cooking school of the US, with its main base in upstate New York. Within two weeks, I had its catalogue, and was signed up for three weeks of study, at a total cost of \$3,500 (£2,130). This included housing and one meal a day, but not airfare and local transport. A large sum, perhaps, but reasonable for a top cooking school. The CIA is a non-profit educational organisation, hence the moderate fees.

The Californian branch is in St Helena, a small town in the Napa Valley. It offers a wide choice of programmes for chefs or other professionals in the food industry who want to improve their skills or widen their repertoire. Courses last from one day to 30 weeks and the approach is not only comprehensive but global. You can learn about baking and pastry, or sauces, or mastering wine, as well as an array of regional cuisines including new cooking from the old west, Mexican, eastern Mediterranean and North African.

The school is housed in a massive 19th century building which used to be a winery and is surrounded by 30 acres of lush country where the CIA grows its own organic herbs, vegetables and grapes. The open-plan teaching kitchens have all the latest equipment. There is a dining-meeting area where students and teachers gather before lessons, take their breaks, or eat and discuss what they have cooked.

You can stay in nearby bed and breakfast, or, as I did, in the CIA's guest house. Its spacious rooms are decorated in Shaker style and equipped with all mod cons (voice-mail, TV, video, and an ironing board to keep your chef's whites immaculate). Class time is from 7am until 1.30pm or from 2pm until 7.30pm. Either way,

there is plenty of time for sight-seeing and visiting neighbouring wineries.

My first teacher was Toni Hendrickson Sagakuchi, a 1984 CIA graduate who has served as executive chef in two top US restaurants, both in Los Angeles. Her class was about salads, cold appetisers, *tapas*, *antipasti* and *mezzes*. All the ingredients, including every kind of spice, oil and sauce under the sun, are provided. Each student needs to have his or her own set of cooking knives, peeler and chef's uniform. All can be bought at the campus shop.

Each day started with a lecture followed by a discussion of the

**'We tasted olive oils, including excellent Californian ones, and learnt how to infuse them with herbs or spices'**

recipes we were to cook. We then went to the kitchens, divided into teams of two or three, and cooked three or four dishes every day.

During that first week we learned about different salad ingredients and dressings and how to balance them. For example, the crispness of certain salad greens, such as chlorey and batavia, are best accompanied by other crisp vegetables - perhaps fennel or celery. A good tip: to avoid bruising the leaves never use the salad spinner at high revs.

We tasted olive oils, including excellent Californian ones, and learnt how to cold- or heat-infuse them with herbs or spices. These can be used to add flavour to poached meats and fish. Ideally, you should keep several extra virgin oils around the kitchen, saving the best for drizzling into soups or salad dressings without vinegar or lemon juice.

There is something thrilling about being around professional chefs. I learnt so many useful tips and short-cuts, such as crushing garlic into a fine paste with the tip of a knife, or stoning an avocado by tapping the bottom of a knife blade into the stone.

After we finished cooking, we cleaned our stations, plated our food as prettily as we could and then tasted and criticised every dish before settling down to dinner. The meals were gargantuan: we tasted not only the dishes we had prepared, but also those made by the teachers' assistants. The quality was uneven, depending on the skills of the students, but the breads and cakes were uniformly delicious.

My second week was spent under the aegis of chef Ken Woytisek who has worked with Judy Rogers at Zuni's, one of San Francisco's hottest restaurants.

He taught us about grains, vegetables and global cooking. The accent was on vegetarian dishes. We experimented with all kinds of grains, some of which I had not seen before, such as kamut, the earliest type of wheat grown by man.

We made pasta, baked perfect pitta bread (the secret is to bake it on a blisteringly hot metal sheet), and simmered vegetable stocks, made deliberately delicate not to overpower other flavours. I also learned another way to achieve a perfect crust on Persian rice: line the bottom of the pan with very thin slices of potatoes. The traditional method is to mix a little yoghurt into the first layer.

In my third and last week, the delightful Sagakuchi returned to teach us, joined by Bill Briwa, another CIA graduate who has worked at the French Laundry, an acclaimed restaurant in nearby Yountville. I found myself in bigger and better company: nine chefs from across America including a former banker who told us that he liked to match his ingredients the same way he matched his ties - by colour.

The week was devoted mostly to assessing flavour combinations. We experimented with barbecuing chicken breasts, wrapping each in different leaves - vine, collards, chard, banana - to decide how this affected the taste and texture of the meat.

We dipped the grilled meat in a variety of sauces and assesses that we had made to establish which went best with chicken. Vine leaves proved to be the tastiest wrapping, while an avocado salsa was too rich with meat.

We tasted wine with food, confirming some rules, such as no wine with artichokes, and debunking others, such as avoiding red wine with fish. We carried out tomato sauce exercises to find the best flavourings for that sauce. Result: I shall only

use oven-roasted garlic in tomato sauce from now on; it is far more subtle than raw garlic.

The best thing about the CIA is that you learn so much just by observing other students. For example: the best chefs all hold

cooking knives in the same way - with the bottom of the blade firmly pinched between the thumb and index finger. And, when it comes to stirring a dish, always turn the spoon in a figure of eight.

I owe a debt to my friend. His casual question at lunch launched me on a journey of 12,000 miles and gave me an instructive and highly enjoyable holiday.

I hope we have lunch together

again soon - and I think I will even prepare a meal for him. ■ The Culinary Institute of America at Greystone, 2555 Main Street, St Helena, California 94574. Tel: 707-967 2308. Fax: 707-967 2410.



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## Waiter - there's no wine in my glass

It has been an excellent dinner. Your guests are glowing with bonhomie. You are relishing that last glass or two of Chablis before asking for the bill. Irritatingly, the chilled wine bucket containing those last precious mouthfuls is a few yards from your table. It is too embarrassing, perhaps, to go and get the bottle yourself, or even to tip-toe over to check its contents. But the wine waiter seems to have forgotten it. Forgotten? Or deliberately overlooked?

Half a dozen times in the past year or so I have found myself in this situation - not wishing to appear mean, but aware that £7 or £10 worth of wine remains chill-

ing out while I am getting increasingly heated.

I tend to stick to white wine, almost invariably, since red gives me a headache. While my dining companions usually move on to red, I generally drink white throughout the meal. Thus I am only too aware of whether there is more to come in my distant wine cooler.

In places as disparate as London, the Seychelles and Pforzheim in Germany - I have become aware that unless I ask for the rest of my wine, it does not get offered. There may be three good reasons for this - the first one possibly leading to the other two.

The most charitable is

that as the restaurant becomes busier, hard-pressed staff can no longer be expected to keep checking your glass - in which case why put the ice-bucket out of arm's reach? So, if you neglect to ask, the wine remains in the bucket when you leave the restaurant. This may have encouraged restaurant staff to create the situation deliberately. Which leads to reasons two and three.

If you think your wine bottle is empty - and are too embarrassed to get up, cross the room and check - you might be tempted to buy another. The third possibility, although seemingly cheapskate, is that at the end of the evening, when a

number of diners - either consciously or unconsciously - have left without finishing their (often expensive) bottle of wine, the staff get to help themselves to what is left.

The hotel business is notorious for such scams. One former hotel manager told me I was not imagining the syndrome. "It happens all the time," she says. "When I was in the hotel business, running restaurants, we always sat down when the restaurant was empty and helped ourselves to quantities of wine from bottles that had not been finished."

"Hotels and restaurants rely on guests being too embarrassed to check on

whether there is still wine in their bottles. That's usually why they put their ice buckets out of reach. That way people are much more likely to be too timid to ask if there's any left, let alone go and check for themselves. They don't want to look cheapskates in front of their guests."

The other night in a smart London restaurant no effort was made to pour the last third of a bottle of my Pouilly Fuisse.

When I persuaded the wine waiter to do so, I noticed that even then there was still a glass left in the bottle. But some time later, when I asked for my final glass, which I had determined to have instead of

padding, I was told: "The bottle is empty, sir."

To take the matter further - with four guests who included a retired colonel and his wife - would have been an embarrassment. However I did, insisting that there had still been some wine in the bottle. They very reluctantly opened another bottle and, begrudgingly, poured me half a glass. I am not sure who was the more red-faced - me, my guests, or the restaurant. Either way, I am convinced that the scam exists. Pity it may be, but since wine is such an expensive part of any meal, I like to be allowed to finish it.

Arnie Wilson

## Home to the 'queen of hell'

Not so long ago Home House in London's West End was on the World Monuments Watch list of 100 most endangered sites. Since then, £12m has been invested in the derelict building in Portman Square and in November it will open as a private club.

The rooms will have been restored to their original state, as conceived by Robert Adam in 1775 for the countess of Home, the Jamaican planter's daughter known to her contemporaries as "the queen of hell".

Adam designed some of his loveliest interiors for the house: the staircase wall, with its second floor gallery surmounted by a glass dome; the Etruscan room in black and terracotta; the music room (the organ case is being rebuilt as a bar); or the ground floor suites des-

tined to become the club's dining rooms.

Many people will remember Home House in its last incarnation. For more than 50 years, it was the home of the Courtauld Institute of Art. For more than half that time it was administered by Anthony Blunt, the "fourth man" and one-time Cambridge-based recruiting officer who formed Philby, Maclean and Burgess, into Britain's most infamous pro-Soviet spy-ring. It is a nice touch that Blunt's upstairs flat is being turned into a luxury suite. During the restoration, the M15 bug on his telephone was unearthed.

According to the club's manager, Brian Clivaz, who will be familiar from his days at Simpsons in the

Strand, Home House had been "pretty institutionalised" during the years which it spent as an art history school. The installations of the hedonistic Lady Islington, such as her marble bathroom, had naturally seemed out of place in a seat of learning. In places, walls had been taken down, and many finer features - including wall paintings by Angelika Kauffmann and Antonio Zucchi - had been damaged. Everything has been put back, scrupulously. After the Courtauld moved out to its new premises in Somerset House, the building lay empty, causing concern among Adam lovers.

Berkeley Adam, the company which specialises in upmarket hotels, is the new

owner. It has also acquired the properties left and right of Home House. The architect of all three was Robert Adam's great rival, James Wyatt; but at Home House he came round to designing the interiors, and Adam appointed in his place. Number 21 Portman Square houses the Heinz Gallery and the library of the Royal Institute of British Architects. It, too, has a grand staircase and some splendid first floor rooms.

Number 19 is altogether plainer, greatly altered at the end of the last century. Nonetheless, there is a magnificent ballroom, which could come in useful. Who knows? The expanded Home House might recover its orig-

inal vocation and become the centre of London society.

Having all three buildings allows the club to provide rooms. There are six suites and 12 double bedrooms for out-of-town members. More will come on stream once Number 21 is assimilated. The garden and the old stables will also be cleared of bric-a-brac to provide a pleasant space for outdoor luncheon and dining.

There is a semi-circular Adam porch on to the garden, and the area is framed by former stable walls. Besides a bar, equipped with screens to bring you the latest results from the City or the world's sports stadiums, there will be an 80-seater restaurant. It aims to be a modern club open to all. The

basement will provide a plunge pool, weights, saunas and fitness equipment. It could be the bidonist in me, but that would seem to be the only part of the new club appropriate to be queen of hell's legacy.

■ Home House, 20 Portman Square, London W1 (tel: 0171-467 5400), will charge £1,500 a year for membership; half-price for under 30s.

Giles MacLonnagh

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FOOD/MOTORING

# The man who gave us Bailey's Cream

Nicholas Faith meets Tom Jago, entrepreneur and purveyor of alcoholic novelties

**T**om Jago is happy, but not surprised, that Oaken Glow, Imperial Blue and Royal Stag are all going great guns in Indian supermarkets. These "amir" whiskies - made out of Scottish malts and Indian grain whiskies - are Jago's latest brainchild.

They show that Jago has not lost the touch that over the past 30 years has brought you dozens of alcoholic novelties, from Bailey's Fish Cream to Johnny Walker Blue Label, marketed by four successive employers: IDV, Moët-Hennessy, United Distillers and now Seagram, purveyors of storefront adresses. There are also other Jago innovations, such as Chivas Regal 1801, sold in a revolving ship's decanter.

Jago is the product of old-time education: a Cornish grammar school; scholarship to Christchurch, Oxford, "rotten third, interrupted by time in the RNRV (Royal Naval Volunteer Reserve); Turin, among other bewildered

pedants. Frank Pakenham, Hugh Trevor-Roper, Jago "meant to be a photographer but ended up in an advertising agency" where he narrowly escaped the sack after being photographed with his family on an Aldermaston march. For those too young to remember, the marches were all about banning the nuclear bomb.

One thing and another led him to Gilbey's, the gin producer. "I was a lousy advertising director and, in 1968, Jasper Grilling, the managing director, not wanting to fire me, put me in charge of 'new products', then a revolutionary idea in the drinks trade."

Since then the revolution has not stopped.

His first innovation was to use the sacred name of Croft, a long-established brand of port, to launch a Pale Cream Sherry under the name of Croft Original. This was only the *hors d'oeuvre* to the big one, Bailey's Irish Cream, the only new spirit intro-

duced in the past 40 years to make the world's Top Twenty. It all started when Robin Gold, a sharp-eyed member of the Gilbey clan, noticed that the Irish government was offering a 15-year tax exemption for new exports. Jago got to work with his team which included Mac Macpherson, a long-suffering technical director, and two marketing consultants, David Gluckman and Hugh Seymour Davies.

They started experimenting with revolting, green, Campari-like liquors made with native Irish moss. But they soon realised that they were in luck. After several takeovers, Gilbey's had ended up as a subsidiary of Grand Met, a group which also owned Express Dairies.

Gluckman had worked on the launch of Kerrygold Butter and knew that cream and whey were waste products. The Great Idea - of combining Irish cream and Irish whiskey - came to them

"while we were trying out cocktails with the knowledgeable barman at the Dorset Hotel in midtown Manhattan" after he had made them a brandy Alexander.

They soon cobbled together a sample and thought up the name in a bistro below Gluckman's

it to London pubs and then in the Netherlands, Australia and the US, where it began to move quite quickly.

To make their joy complete, they found that they were entitled to a grant of £2 a case from the European Commission in Brussels for getting rid of the cream outside Europe.

Baileys even revolutionised the Irish dairy industry by requiring it to supply cream all year. And Mac found a formula for transforming the whey into alcohol.

Baileys' success inspired a number of universally unsuccessful follow-ups, including John Dowland's Gossamer and the coffee-flavoured Demi-Tasse. Equally unsuccessful was a pink gin, provisionally named Gay Gordons, "aimed at the San Francisco market; a bit ahead of its time".

More successful was Malibu, where Jago's contribution was the name, originally registered as

a fizzy wine made from passion-fruit.

Jago then turned his attention to cheap wine in the form of Flat d'Or. "The first samples shown to consumers were Blue Nun dyed red. They loved it." Using lots of *süssreserve*, the grapey German sweetener, Jago, a genuine wine aficionado, produced a sweet red wine universally loathed by wine-lovers but which went on to sell millions of cases.

Then there was Night Music, a Mosel devised by too many people. "The final blow was when the first shipment from Germany proved to be full of flies."

In 1983, he was lured away to Moët-Hennessy where he launched Petite Liqueur, a sparkling Niqueur inspired by tasting an 1897 champagne - "delicious, sweet and maderised."

"We copied a little bottle from the 18th century and very pretty it looked. The idea was, really, to offer a sort of Babyboom to rich

ladies. But we never really got the liquid vulgar enough."

Within a few years he had been lured to United Distillers through James Espey, his protector at IDV. Espey and Jago rescued Johnny Walker from a period of discounting, repackaged the Red and Black brands (saving UD a substantial amount in the process) and introduced Johnny Walker Blue over the heads of everyone else at UD. It now sells more than 20,000 cases a year at around £100 a bottle.

The name Espey and Jago had chosen for the whisky was "Old-set" and, when they moved to Seagram, they used it for up-market Chivas which is, as they say, "moving nicely in duty-free". Even after Espey's departure Jago remains happily employed at Seagram with four new brands of Scotch to his credit. At 73, he still worries about his career but remains true to his motto, taken from a Confederate general: "You don't know where the enemy is, until you lose a few scouts."

**The first samples were Blue Nun dyed red. Consumers loved it'**

Soho office.

They test-marketed it - "four focus groups gave a unanimous negative response, they hated the stuff and didn't believe it was Irish or even real. We suppressed the results" - and started to sell

## Appetisers

### Ripe reds that are really on a roll

**C**alifornia is the source of some of the world's most sophisticated and wine-making today.

Head west for a combination of France's flavours with an extra degree or two of ripeness and a near-obsession with smoothness of texture.

A fine example is Beringer Alluvium 1994 (Majestic £5.99), a blend of Bordeaux grapes based primarily on Merlot from Knights Valley at the foot of Mount St Helena. Beringer is a California wine producer on a roll.

Ridge Vineyards seems to have been on a roll ever since it was created as a weekend hobby for Silicon Valley pioneers way back in California pre-history, in 1968. Ridge takes a kindly view of the British market and its wines are available from importers such as Adams of Southwold, Suffolk, and Morris & Verdin of London SE1 on 0171-367 8888 both sell futures in the ultra-precious Ridge Monte Bello Cabernet as well as from independent such as Lay & Wheeler of Colchester.

Waitrose, for example, has been offering the auto delicious Ridge Lytton Springs 1995 at £18.95 - slightly more than the £18.50 charged by Morris & Verdin, which has moved on to the 1996. The 1995 is a complete, lively wine made mainly but not exclusively from mature Zinfandel vines grown in a particularly Zn-friendly corner of Sonoma.

There is still a characteristic hint of berry/jam underneath, but this is a wine with real structure that could be cellared or drunk with great pleasure straight away, so long as it is served with fairly substantial food.

Adams may have a bottle or two of Ridge Mataro 1995 Santa Cruz for £14.95 made from old vines on the ridge south of San

Francisco. Thoroughly California and all the better for it.

Mataro is the old Italian immigrant name for the fashionable Mourvèdre grape of Bandol which Jade Mountain, a firm-class newish California producer, takes particularly seriously. The 1996 Jade Mountain Mourvèdre is even more gorgeous than usual with its layers of fruit and incontestably grown-up impact on the palate.

Like so many fine California wines, it is imported into Britain by Morris & Verdin. They charge £18 a bottle for it and it is also available in a range of wine-minded restaurants such as Browns (where presumably it fights in a New World way with classical French food) and in Harvey Nichols of London and Tremayne & Webb of Chipping Ongar, Essex (01777-900525).

Last week, Jeremy King and Chris Corbin sold The Ivy, Le Caprice and the two Sheekeys restaurants for £13m in cash, loan notes and shares to the publicly quoted Belg restaurant group. Since then, the Pharmacy in Notting Hill Gate - the creation of artist Damien Hirst and public relations man Matthew Freud - has been reversed into the Hardford Group, a small, publicly quoted leisure group.

Although both these events are predominantly London-orientated, they do confirm a growing national trend: British restaurants, once the domain of the individual entrepreneur, are being grouped into larger entities to maximise profitability. This may be good news for their shareholders, the stock market permitting of course, but what benefits will ensue for the restaurant-goer?

The answer, one must hope, is



Mrs. Kitchman, cheesemaker: from chef Paul Hindle's book 'Pudding & Black Pudding', which he put together with food writer Matthew Fort. The book is out in a just over a week's time on September 16 (Fourth Estate, £20). A person of praise to British food for all seasons

lower prices. No one who has spent any time this summer on the Continent or in the US can return to the UK and fail to notice that restaurant and hotel prices are considerably higher. Perplexingly, there seems no obvious explanation. Prices in the remaining independently owned British restaurants are higher than their counterparts in France or Italy; prices in group-run restaurants are higher

than those in the US and prices in central London are higher than those in central Paris, Brussels or Manhattan.

A partial explanation - that the British economy has been so strong for the past three years that it has mitigated against price competition - must now be seen as history. A secondary factor, that these restaurant groups have only recently been established, and have therefore

not passed on the savings that they will make to their customers, may now be put to the test.

The consequence, unless there is a recession similar to that of the early 1980s or 1990s, when restaurant bookings were decimated and many establishments forced to shut, should not be closure, because many restaurants are so much more securely financed, but

greater competition, ultimately beneficial to the customer.

Nicholas Lander

I came in late to the small country house hotel, having taken too much drink on board, so much so that I couldn't find my room. My nocturnal wandering disturbed mine host who appeared in his pyjamas. "I'm drunk," I said apologetically. "So am I," was

the reply, as he led me safely to my room. An exceptional establishment, the Castleman. Two years ago, it was converted from the former dower house of Chettle House in one of Dorset's loveliest villages set in empty countryside. The food is deliciously home-made, the wines from some serious merchants and the welcome - day and night - warm.

Castleman Hotel and Restaurant, Chettle, Blandford Forum, Dorset DT11 8DS. Tel: 01259-830098, fax: 830061. Rooms from £40 to £70, including breakfast.

Lunch in a country pub rarely lives up to hopes and expectations. One that does is the revitalised Vine Tree in the hamlet of Norton near Malmesbury, in Wiltshire. It is a proper country pub in a tranquil rural setting, serving the needs of local farmers, workers from nearby towns, hikers, tourists and outings of families and friends. It has a log fire by the bar, small rooms for drinking and eating, and a sheltered courtyard garden for those who prefer to eat outside.

The menu offers honest food at sensible prices. Well-filled sandwiches are served with plenty of salad garnish. Baked potatoes come with all sorts of stuffings. There are fish soups-cum-stews, grills and traditional roasts. Puddings are notably good and service is exceptionally friendly. Lunches and dinners are served seven days a week but it is wise to book at weekends. Tel: 01686-837554.

At last there is a serious Armagnac on sale which is not a single vintage - the new Trés Vieille Reserve from Jansoulet. It is a model brandies of between 20 and 30 years of age, with a rich mix of aromas, earthy - violet, woody - as well as chocolate-vanilla overtones. Available in some restaurants at about £85 a bottle. Or phone John E. Falls on 01443-870900. NF

Delicious Mortimer & Bennett and Covent Garden Fishmongers are two good reasons why food lovers living in or near Chiswick go shopping in Turnham Green Terrace, London W4. Now Maison Blanc has opened a shop there, with twice daily freshly baked croissants and baguettes de tradition, and a wide range of other breads, pastries and confectionery. Open seven days a week, from 9am Mon-Sat and from 9am Sundays. Tel: 0181-996 7239. PD

## Motoring

### Ford's new model will act as an escort

The cost-conscious Focus is likely to serve the fleet and family market, says Stuart Marshall

**S**till scarred by public reaction to the Sierra - "It looks like a jelly mould" was among the kindest comments at its launch in the early 1980s - Ford played it very safe when launching the Escort. But it waited in vain for cries of approval from the motoring press, which greeted it as boringly conservative in looks and mechanically undistinguished.

Life never has been fair, but Ford had the last laugh. Family motorists and fleet buyers took to the Escort like ducks to water. It has never been out of the top 10 best-selling cars in Britain and frequently at the top.

The Sierra had become just as popular and towards the end of its life, its looks were no longer controversial. This was partly because Ford had made some subtle alterations, but also because we had simply become used to it.

All of which is history. Recently, there has been a sea change in Ford's attitude to styling. The current versions of the Mondeo, which replaced the Sierra, are by any standards good-looking cars, although it has to be said that the Mondeo's rear end at the car's launch, was unfortunate. In some lights, it seemed to have been built from sections of a motorway crash barrier.

The real revolution began with the Ka that aerodynamic turtle

of a two-door hatchback developed from the Fiesta. That won Ford an instant reputation for avant-garde styling that appealed to all age groups.

Next came the Puma, a delicious, sporty two-plus-two, also Fiesta-based. Then followed the Cougar, an elegant two-door coupé using Mondeo components and appealing to the children of people who had been seduced by the Cortina-based Capri's looks a generation earlier.

And now comes the Focus, which Ford believes, I think rightly, will take over where the Escort left off in the family-cum-fleet market.

The Focus, which was previewed at the Geneva show last March at the same time as the Cougar, will at first complement and eventually replace the Escort, the current model of which will stay in production for about two more years. Its platform (the modern equivalent of a chassis) is entirely new; the suspension is fully independent, with a multi-link layout at the rear; and the body is said to be

the stiffest and lightest in its class.

Ford also claims the Focus has fuel-eating interior space and fuel economy. As is usually the case, the car is slightly larger

than the one it succeeds; at 13ft 10in (415cm), the three- and five-door hatchbacks are 4in (10cm) longer overall and, more significantly in terms of passenger comfort, 5in (12cm) higher. The four-

door saloon and estate, due in January, are longer still, at 14ft 5in (443cm) and 14ft 9in (444cm), respectively.

Initially, four petrol engines will be offered when the new cars

go on sale next month. They are multi-valve Zetec units of 1.4, 1.6 and 2.0 litres capacity, with power outputs ranging from 75 to 130 horsepower and fuel consumptions said to be 10 per cent lower than existing competitors.

At the beginning of next year, the 1.8-litre Endura turbo-diesel will be added. This has an electronically controlled "common rail" injection system and produces a modest 90 horsepower, but far more torque (pulling power) than any of the petrol engines. It will be spectacularly economical, with an average 55.4mpg (5.1l/100km) for the five-door model and an overdrive top gear that should make it relaxed as well as frugal on the motorway.

Ford's claim that the seating will make any driver, from a seven stone (44.5kg) woman up to 16 stone (102kg) man, comfortable at the wheel remains to be tested. What is not in doubt is that the Focus should be as safe and enjoyable to drive as many far more exalted cars.



The Focus has head-turning looks in three- and five-door versions

than the one it succeeds; at 13ft 10in (415cm), the three- and five-door hatchbacks are 4in (10cm) longer overall and, more significantly in terms of passenger comfort, 5in (12cm) higher. The four-

door saloon and estate, due in January, are longer still, at 14ft 5in (443cm) and 14ft 9in (444cm), respectively.

Initially, four petrol engines will be offered when the new cars

in my glass

of hell'

## TRAVEL



# The rebuilding of Babylon

Size is everything, says Nigel Andrews, and Las Vegas is there to prove it

At the Pyramid Café in the Luxor Hotel, Las Vegas, you can have a fantastic prime rib of beef. While waiting for it to arrive, you can look down at the statistics-packed place-mat and learn all about the hotel itself, including the fact that it is the second largest in the world. I was so amazed by this - I was after all staying there, in the Nefertiti Tower of the Abu Simbel Wing of the Karnak Annex or some such - that after dinner I went straight up to the main reception desk.

"What is the largest?" I asked. "I beg your pardon, sir?"

"The largest hotel in the world?"

"Just a minute, please, sir. [To another customer with unfazed business] Will that be cash or charge?"

The reception queues take forever, so I gave up. Later I learned - and no wonder you don't get a quick answer at the Luxor - that the world's largest hotel is right across the road: the Las Vegas MGM Grand. Where the Luxor is a 2,460 sq ft black pyramid standing 767ft tall with an atrium in which you could house nine Boeing 747s (says the place-mat), the MGM Grand is an emerald-green banger that looks as if it could contain all of New York.

It doesn't need to, though. That city is just over the crossed road. The bell-fogging facade of the New York New York hotel, opened this year, con-

sists of every major Manhattan skyscraper including the World Trade Center, the Chrysler Tower and the Empire State jammed together in an enormous vertical sandwich. It is flanked by the Statue of Liberty, all but life-size and sitting in a lake being sprayed by fire-tugs, and also by the writhing curves of a giant rollercoaster.

You used to come to Las Vegas to gamble. Today you come to gamble. They have rebuilt Babylon on Earth and you can see it from outer space. Size is everything and here is the town to prove it. Even extra-terrestrials will get the message. The Xenon searchlight that shoots skyward from the Luxor's apex is so powerful that you can read a newspaper by it 10 miles out - and it can be observed from the Moon. The only other lunar-visible terrestrial feature is the Great Wall of China, soon, no doubt, coming to Nevada.

I was there on Easter weekend, having escaped by car from a dormant Hollywood, and I do not think I have ever enjoyed a place more. It has become a citywide theme park, a Theme Town. Children were going berserk and par-

ents were going berserk trying to keep them from going berserk.

When I last visited 20 years ago, this place was a flashy neon sin-bin, full of people trying to rob you legally. Former founder Bugsy Siegel might only just have left. All-top-visible bouncers patrolled the halls ready to eject you base over atrium if you won too much money. And before arriving you were given a book of coupons at the state frontier - free breakfasts, discount rooms, 50 per cent off your visit to the Liberace Museum - because all the town wanted was your gambling lucre.

Once there, you went clinically mad. For 24 hours a day, your eyes rolled like fruit-machines and your ears developed a tinnitus-like throb. Or so it seemed: in fact the ringing did go on - one-arm bandits in every hotel and casino around the clock.

It still does, but today you can get away. When sated with gambling, or with the Luxor itself and its diagonally moving lifts, animatronic talking camels and life-scale exterior Sphinx guarding the gardens, you can go by walkway to the next door Excalibur Hotel. This is the town's medi-

eval hang-out. Rainbow-hued barrets top cream-coloured towers as if Walt Disney had got together with Gilbert Scott, while inside tuckets sound, wenchers serve mead and at mealtimes there is a strange, cherry smell - as of

In the five-times-nightly sea fight on the lake by the hotel the British ship sinks to the sound of 'Rule Britannia'

peasants being roasted over an open fire.

At the Sherwood Café I tucked briefly into a Robin Hood Corned Beef Hash. "Have I heard that you also have a banquet room with jousting in this demesne?" I asked the waitress. "Aye, m'lord," she said and so I investigated. The subterranean stadium where knights knock each other

off horses "while-U-eat" actually featured in the Jim Carrey film *The Cable Guy*. I look one look, or rather smell, and decided against. They don't seem to have extracted the smoke and dinner odours since the Middle Ages.

In Las Vegas you walk impossible distances because you are drunk with what you are seeing. Going north from the main cross-roads you run into the old Strip where Caesar's Palace (still looking epic) gazes at the Flamingo Hilton (now looking puny), and where once-glitzy monuments like the Aladdin are closed and for sale. Not everyone wins in the new Vegas.

On the left, though, they are completing a fresh stunner called the Bellagio. This seems to be a near-life-sized recreation of Lake Como overlooked by cypresses, villas and a hotel the size of 48 Jumbos. A little further on, ground has also been broken on a new Venice-themed hotel.

You are distracted, however, by a volcano erupting further up still. This is the evening attraction at the Mirage Hotel. Seeming molten lava spews towards fascinated onlookers who are thereby persuaded to enter and to eat,

gamble or watch house magicians Siegfried and Roy and their white tigers.

I skipped this and proceeded directly to Treasure Island, the town's splashiest themed extravaganza and the one I had just been told about by friends. As the name suggests, it is the place where Long John Silver would stay, plus associates, if there were an international pirate conference. Its *pièce de résistance*, indeed that of the whole city, is the five-times-nightly sea fight on the lake fronting the hotel.

Beetling cliffs studded with Cornish or Caribbean hovels - the architecture is vague - stare down at a pirate galleon and British man-at-arms as they exchange insults, then rifle fire, then cannon shots. Sailors swing from rigging or fall into water. Masts shake. Music plays. Finally, the British ship sinks - yes, actually sinks - while "Rule Britannia" rends the airwaves. If you stay an extra two minutes, the ship re-emerges with a still-dripping, still-saluting Admiral.

On my last morning in Vegas I attempted a mop-up operation. I tried to see all the sights I hadn't seen so far. The parrot-haunted,

alligator-snapping jungle off at the MGM Grand; the \$20-per-portrait orang-utan who waits to be photographed with you, his arms raised above him on the sofa like a bored odalisque; the Excalibur Hotel parakeet who imitates Elvis Presley; the Liberace Museum, containing the world's biggest rhinestone; or the deathly table terror of the New York New York rollercoaster, which drags you ever so slowly towards the top of the *faux* Chrysler Tower before bucketing you down it, warp speed towards the *faux* Brooklyn Bridge.

This whole town is *faux*, of course - that is its wonder. Vegas itself is the biggest rhinestone in the world. How long, I wondered, before someone makes a movie in which aliens land on earth and their touchdown point is this demented El Dorado, a city formed from the world's reprocessed architectural gold? Would the aliens think we were a planet of vulgarians or of geniuses? Is reproduction on this scale naïf or does it become its own art?

Then again, perhaps the aliens wouldn't give themselves time to ponder at all. Perhaps they would head straight for the gaming tables and the planet would be saved. For you can still win or lose large sums in Vegas. It is just that today the state of your pocket seems magically to be of minor concern; which may of course be the town's most brilliant money-making scam yet.

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1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1971) using a Shimadzu 101-UV spectrophotometer. The concentration of chlorophyll was expressed in  $\mu\text{g mL}^{-1}$  of the sample.



OUTDOORS / PROPERTY

# Gardening Three cheers for modern sweet pea breeders

Robin Lane Fox on a heavenly family of scent and colour

Gardeners still tend to believe that old is beautiful. "Old-fashioned" plants are said to sell more quickly. People forget how bright the old-fashioned flowers really were, at least until the vivid roses of the 1930s and 1950s became old-fashioned in the next millennium.

I feel sorry for the breeders. They are given the most awful press and are always accused of making flowers look too big, too vulgar and too boring. They are blamed for the loss of scent and are remembered for those misbegotten snapdragons said to look like hyacinths.

When you meet breeders, you find they are really very amiable people. They work on a longer schedule than horse-breeders and are often shy and short-sighted. They are not trying to make a mess of everything, to cross sheep with goats or to engineer the perfect athlete. They can be rather foolish about blue roses, but can score unacknowledged successes.

One of their triumphs is just beginning to slow down this weekend after an abnormally long season. Sweet peas are my emblems of the well-tended garden. They take time, a lot of it if you so choose, and they cannot be bought as cut flowers in shops. They die too quickly for the florists, but are the indispensable magic for late summer rooms.

This year has sorted out the losers, but it has had the great merit of extending the season longer than I can remember since 1988. Sweet peas hate too much heat and drought and have been pretty miserable in the scorching heat.

Sweet peas bring the old-fashioned fanciers out in force. They complain that the new varieties have no scent. They dislike their colours and blame the whole decline on the Spencers, which in this one instance is unfair. The Spencer strain of sweet pea was actually raised by Lord Spencer's gardener, Mr Cole, who exhibited his first variety with touching loyalty under the name of Lady Spencer.

The flowers are bigger and have frilly edges. When they appeared in 1901, they were all the rage and drove the older varieties off the show-bench. Spencer varieties became the backbone of this century's breeding and left the small, old varieties in a forgotten side turning.

Those old varieties had to wait about 70 years for a serious comeback. When conservation began, it became horticulturally correct to admire the old Painted Lady varieties and to run down the Spencers for being over-bred. I started to believe the lament and convinced myself, on no evidence, that they lacked the scent of the old varieties.

Exhibitors taught me that. They die too quickly for the florists, but are the indispensable magic for late summer rooms. I was wrong, especially the often-crowned champions of British sweet pea growing, the Brackley family who sell seed of their many modern introductions from their headquarters at 117 Winslow Road, Wingrave, Aylesbury, Buckinghamshire HP22 4QB.

For a month now, I have been picking bunches of the best of them, varieties called Esther Rantzen, Felicity Kendal and Sarah. Several years of moderate success has taught me, on poor soil, to obey a cardinal rule. Sweet peas are many times better if you feed them and experts such as the senior Mr Brackley know how to feed them best. When their food suits them, they flower until the middle of September and breathe the most delicious scent, which completely refutes those who believe that a lost past was sweeter and more delicate.



When well fed, sweet pea flower until the middle of September and smell delicious

Garden Picture Library

Of course, the ground for good sweet peas should be prepared with rotted compost or manure, dug into the ground in early winter. It makes all the difference, but sometimes I forget and am glad to know from the exhibitors that some of the over-sight can be repaired by scattering the fertiliser known as fish, blood and bone where young plants are to stand. It does not burn their roots which are likely to be short on soil, but it is best forked in, just below the depth at which they stand.

Next year, I will try a further ingenious aid. Young sweet pea plants tend to dislike the cold nights and cold winds which greet them in

mid to late April. I have been told to try putting the young plants in the miniature tunnel of the cardboard core of a lavatory roll.

The next turning point is in late June, when the plants are growing away. They respond very well to diluted fertiliser, applied through a can or spray. I still use Fosfotrogen and have kept it up until this weekend, making the plants double their effort. The expert alternative is to use the tomato fertiliser, Tomorite, at half-strength. If you put it on at full strength, it browns the petals of the cream and white varieties.

Matthewman's Sweet Peas at 14 Chariot Way, Thorpe Audlin, Pontefract, West Yorkshire WF8 3EZ, is another excellent source of the latest types of seed. The growers are rightly impressed with the cream-flowered jilly which they described to me at the Hampton Court show as the best cream variety ever bred. They were equally enthusiastic about Charlie's Angel, king of the pale blues.

Both these varieties are rightly rated by the growers as strongly scented, the equal of the romanticised old varieties. The breeders have given us better colour, bigger flowers, a longer season and the scent which they were supposed to have lost.

Most of us sow our sweet peas in March. We forget that older experts and exhibitors sow them during the second week in October in pots which are kept in cold frames or unheated green-

houses. You might like to try seed from one of the best modern breeders and give them a racing start in six weeks' time.

Nothing competes with the scent and colour of this heavenly family. In 1900, a country clergyman put the matter very well. "Gentlemen," he reminded us, "the sweet pea has a keel that was meant to seek all shores. It has wings that were meant to fly across all continents. It has a standard which is friendly to all nations. It has a fragrance like the universal gospel."

Nearly 100 years have passed, but breeders have done more to spread this gospel than to kill it. In the sweet pea songbook, modern is often even better than ancient.

# Nature is as man does

Roy Barnes waxes lyrical on changing fashions in language

Natural is good. It is taken as an undeniable premise that nature and, as a result, all that is natural, or at least naturalistic, is to be aimed for.

Samuel Johnson, the 18th century man of letters, didn't think so: nature was something to escape from into the nearest metropolitan coffee-house. His near-contemporary William Cobbett didn't think so either: nature was something to be turned into productive farmland.

But in the late 20th century, "being natural" has become the moral philosophy of the western world - a label of respectability and an excuse for all sorts of odd behaviour. Poets tend to take nature as she comes, as they do most things. The world and people in it are for observing: "I know a bank whereon the wild thyme blows, Where oxlips and the nodding violet grows, Quite overcanopied with lush woodbine. With sweet musk roses, and with eglantine."

Taxonomists, too, observe, but they're not officially allowed to express their feelings. In taxonomic, "eglandine", for example, would be described as derived from Latin *acus* (needle) through *aculeus* (prickle or sting) to *aculeatus* (prickling)...

A literary historian might point out that, while Shakespeare is almost certainly intending to indicate the sweet-briar or wild rose, Milton in *L'Allegro* uses the word to mean honeysuckle. Do taxonomists really have to make gardeners' lives so miserable with their continual definitions and re-definitions? Does it matter much? Well, if it's absolute accuracy of description that is wanted, they have no option, but if it's an expression of Man's feelings for Nature, then poetry, not science, will provide.

Victorians took a different view of life. They worked within a system of long-standing, stable and generally accepted beliefs - Church, Monarchy, Class, Empire. The relationship between Man and the world of Nature and his right to dominate and exploit it was never seriously questioned.

The language of the late 20th century, in which the advertising clichés of the age - natural, healthy, life-enhancing - contain the wealth of our misgivings about ourselves, our place in the universe, our destructive nature, simply has no place in, for example, Gertrude Jekyll's canon. Ecologically aware she was not:

her requirement was that gardeners be aesthetically aware. No one today would dare write about gardening the way Jekyll does: "The garden artist [ie herself], who desires not only to see the beautiful plants and trees, but to see them in the best and largest and most worthy of ways..."

Best? Largest? Most worthy? She writes in the language of the Victorian upper-class moral crusaders: the most damning adjective in her gardening vocabulary is "cockneyfied". Jekyll was, above all, a painter, and, like all painters, she viewed Nature as something to be ordered and fashioned within the confines of a frame. For her, a garden was a canvas and the plants splashes of colour across the spectrum, her drifts.

She had a vast knowledge of garden plants, but she worked with them as an artist. For all but the most modest cottage gardener, garden design has been turned into a branch of architecture. Following the tenets of Jekyll's acolyte, Vita Sackville-West, people began dividing their gardens into rooms of different shapes and colours; plants became pieces of furniture and architectural props.

The most worthy were the "stately" and "noble" ones, the architectural talismans that stood like Doric columns in a Lutyens landscape, a collection of veritable Lady Bracknell's brandishing parasols, and, in modern gardening parlance "making elegant statements".

The naturalistic perennial planters might find that their ideas will fit very well into this scenario. Our speech and thinking are inevitably circumscribed by the fashions of language that clothe the morals, beliefs, prejudices and dispositions of our own age, whether we are for them, against them or just indifferent to them. It is not easy for writers to step outside the modes of their own time.

Nevertheless, readers have a right to expect that what they read makes sense. Gertrude Jekyll, for all her strongly expressed dislikes and personal foibles, can never be misunderstood. Her language is clear and forthright and her meaning never disguised. She even has an engaging line in healthy self-criticism, telling herself to beware of exhibiting "an intolerant spirit of cockney pontification" - a most useful piece of advice for us all.

## On the Move

# A long walk with heavy shopping is bad news

Public transport affects values, says Gerald Cadogan

Living near efficient public transport is a key factor affecting property values in London, as Greenwich demonstrates. Prices have risen there in advance of the extension into the area of both the Docklands Light Railway and the Jubilee Line of the Underground.

When the latter will open remains a guess; it would not be surprising to see the DLR get there first. But we must hope that both will be ready to carry the crowds to the Millennium Dome.

The next areas that look likely to benefit from better public transport are surprising. A report on the prime central London market from DTZ Debenham Thorpe identifies Paddington and Bayswater, where many properties have had a run-down look for years, as targets of developers' interest. Why? Because the Heathrow Express has brought London's principal airport within 15 minutes of Paddington railway station.

Greater dependence on public transport is a trend that is bound to continue as deputy prime minister John Prescott and the London boroughs devise ever more



The farther you go, the more you get: Rose Cottage has two bedrooms in Hampshire

constraints on cars. According to the report, this fundamental shift in policy will "enhance the value of schemes close to public transport facilities. It is vital for anyone buying in London, whether second-hand or new, to look critically at the quality of local transport and parking. The bad location is a long walk, with heavy shopping bags, from the bus or Tube."

Other negative factors that DTZ Debenham Thorpe sees are now familiar: vanishing buyers from south-east East, and the decline of their currencies, making the instalments on flats they have bought off-plan costlier in local terms; for UK buyers, higher interest rates - although these have less of an impact at the top, cash-based, end of the market - and the rise in stamp duty, which is proving a dampener on buying.

On the plus side, the population of inner London has been increasing since 1981, thanks to former Londoners moving back, inward migration from the rest of the UK and abroad, and people living longer. Add a concentration of people with above average incomes who have had enough of commuting from the Home Counties (easier to stomach 20 years ago, when one spent fewer hours in the office), and the

long-term pressure of demand in the inner London market looks set to ride out intervening blips.

For this year, the DTZ Debenham Thorpe report predicts a 7 to 9 per cent rise in capital values.



And in Kent: Cleve Court, with an ice house and orangery, heated pool and tennis court

field Hall is an old village manor, with seven bedrooms and walled garden with superb 1730 wrought iron gates (listed grade II), in Co Durham, yet near Gateshead and Newcastle. GA Town & Country (0191-488 7023) is the agent.

For the same price, GW Fine (0104-612147) offers the main part of the handsome early Georgian Cleve Court at Minster near Ramsgate in Kent. Although with only

three bedrooms, it has a large slice (3.8 acres) of the gardens, including an ice house and an orangery, as well as a heated pool and tennis court.

At £200,000, Strutt & Parker (01283-315831) is selling the pretty stuccoed late Georgian Rose Hill at Sidbury in Devon, with 4 to 5 bedrooms. It is thought to be Jane Austen's original for Barton Cottage, where the Dashwood family moved in

*Sense and Sensibility*. In Hampshire, near Basingstoke and exit 6 on the M3, it is the same price for the two-bedroom detached Rose Cottage at Tunworth Hill in Hants (01256-702889), is agent. And near Guildford in Surrey, a three-bedroom Victorian semi-detached cottage at Lockner Holt, once an estate gardener's cottage, costs £215,000, through Burns & Webber (01453-440800).

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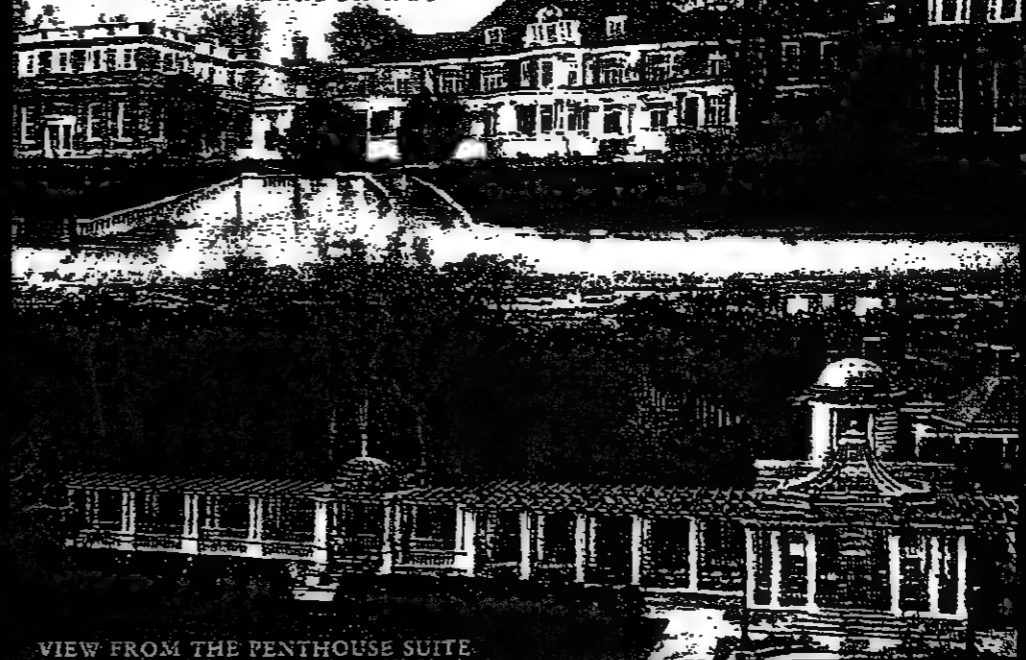


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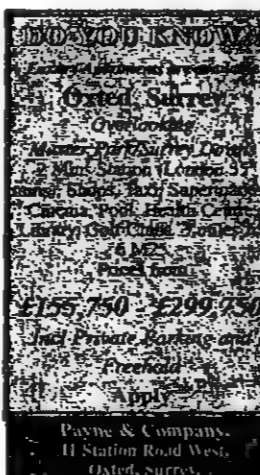
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## SPORT



Encouraging for newcomers: Arthur Ashe, for whom the new stadium in New York is named, returns the ball and goes on to win the US Open in 1968

## US Open

# Get them young and get them on court

Tennis is being given a good shake-up – and not before time, finds John Barrett

With the \$14m US Open as the backdrop, the United States Tennis Association this week produced an interim report on its initiatives to promote the game of tennis throughout the nation.

Announced at last year's championships and launched in May, the \$50m five-year Plan for Growth, a co-operative effort involving all constituents of the tennis community, was designed to attract 800,000 newcomers to the game and increase the number of regular players by 1m by 2002.

The target for 1998 was 120,000 newcomers, and the latest figures suggest that in the first four months about 100,000 individuals, 65 per cent of them under the age of 18, have responded in 161 markets throughout the country via the three-pronged programme.

The first of these, Free for All, offers 90 minutes of free coaching; the second, USA Tennis 123, provides three weeks of basic instruction and three weeks of supervised play; the third, USA Team Tennis, offers competi-

tive opportunities in a team environment.

It was the realisation that tennis was in a life or death struggle with other sports and leisure pursuits that persuaded the association to act last year. Not before time, according to former champion Billie Jean King, founder of World Team Tennis, the inter-city league sponsored by Dupont and one of the supporters of the initiative.

"I am delighted that after 30 years of total frustration the USTA has made such huge changes," she said. "For the very first time the entire tennis community is on the same page."

"My whole life I've been trying to get people to think of tennis as a team sport because kids want to be on teams, they want to be with friends, I grew up in the public parks and around team sports like softball. Most people of colour play team sports, whether it be basketball, soccer, basketball, all these other sports."

Arthur Ashe and I used to talk about this for ever and ever. We must make children comfortable... it

doesn't matter what they wear, what shoes they have on. If we make it fun, we'll get them... tennis must be hospitable."

This assault on the grass roots of the game, with particular emphasis on minority groups, is something all nations are addressing,

**'I [want] people to think of tennis as a team sport because kids want to be on teams'**

including the Lawn Tennis Association in Britain, in an effort to rid the game of its middle-class image.

Worldwide, it is fully supported by the leading professionals who realise that without a strong playing base, spectator support for tournaments will wither. At all tournaments on the ATP Tour, the men commit time to their Stars programme,

which includes kids' days, and Smash Tennis, interactive activities promoted on TV's Cartoon Network. The equivalent on the WTA Tour is the F.I.R.S.T. Serve programme, focused on schools, which benefit from \$20,000 worth of computer software provided by the Tour sponsor, Corel.

How much these initiatives have been responsible for the improved attendances at professional tournaments this year is difficult to assess, but whatever the reason, the figures are encouraging. The WTA Tour reports a total of 3,718,144 fans up to the end of August, an increase of 6 per cent on 1997. The ATP Tour claims a similar increase.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1997 figures.

Those spectators who did make the journey to Flushing Meadows were greeted by a new skyline. The vast Arthur Ashe Stadium with its 24,000 seats, which opened last year, is no longer challenged by the Louis Armstrong Stadium, whose seating capacity has been lopped off

to reduce the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said: "I couldn't tell which was Chang [5ft 9in] and which was Rosset [6ft 7in]." Biggest is not always best.

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000-16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

How sad to hear that this national landmark, site of the US Championships from 1915 until the move to Flushing Meadows in 1978, may fall victim to the developers' bulldozers. Apparently the Westside Tennis Club, which needs to raise funds for maintenance of the historic Tudor-style clubhouse and grass tennis courts, and for the construction of a swimming pool, are considering six offers from house-builders.

## Equestrianism

# Broken legs and flat feet

Britain's hopes for the World Equestrian Games have been hit by injuries, says Keith Wheatley

Inevitably, this weekend's Burghley Horse Trials are overshadowed by the demands of the imminent World Equestrian Games. These begin in Rome on September 30, with 38 nations taking part in the five disciplines of dressage, showjumping, driving, vaulting and eventing.

Originally, this third edition of the WEG (the first was in Stockholm in 1990, the second 1994 at The Hague) was to have been held in Dublin. However, despite the booming Irish economy and love affair with the horse, adequate sponsorship was never found and the Italians came up with a rescue package.

British interest will focus on the three-day event team. Having invented the sport and spread it around the globe, Britain is still world class in this complex and demanding sector of equestrianism. As winners of the team gold medal in the Netherlands, and silver medalists four years earlier in Sweden, the British quartet has high standards to maintain. Unfortunately, the selectors have been hard-pressed.

When they announced the team on September 1, injury was the biggest factor in their choices. Ian Stark, the Scottish rider whose international career goes back over 30 years, should have been the mainstay of the squad, but at last weekend's final trial he was forced to drop out of contention. Stark's horse Saucy Brown knocked a leg in training and the vet ruled him out of further competition. The blow came on top of the earlier sidelining of two experienced campaigners, Chris Bartle on Word Perfect and William Fox-Pitt on Cosmopolitan. Fox-Pitt has had a wretched season, breaking an ankle in a fall last spring and taking the entire summer to recover.

Coincidentally, the two women competitors who now make up the senior ech-

elon of the British team have also suffered broken legs this year. Karen Dixon, a veteran of the last three Olympic Games, was not even on the championship "long list" after Badminton in May. A badly broken leg last summer had taken nearly a year to mend properly. It was only when Dixon and her mount Too Smart had a successful outing at the Bramham Horse Trials in July that they were called to fill the breach.

Tina Gifford's own injury was less serious and healed in a matter of weeks. However, Gifford's horse, Gen-

**When they announced the team on September 1, injury was the biggest factor in their choices**

eral Jock, seems to be made of lesser stuff. Despite being a big jumper and quick around any cross-country course, the gelding seems prone to leg problems and has chronic flat feet. He desperately disappointed his rider, daughter of racehorse trainer Josh Gifford, when a foot problem led to his being vetted out of the Atlanta Olympics. Last weekend at the final trials for Rome, Jock could not be risked cross country because of a cut foreleg. It is not unfair to suggest that this is a somewhat "battleground promotion".

The other big name missing from the British line-up is Mary King. While not injured (King is expecting her second child imminently) it is yet another example of medical matters preventing the defending champions fielding an opti-

mum team. Among the newcomers to the six-person squad neither Jeanette Brakewell or Polly Philipps have competed at this level before. Anne-Marie Evans, on the other hand, has taken part in an eventing world championship before, but back in 1986 when it was not part of a WEG and a fraction of its current size.

Possibly the most interesting member of the British team is non-travelling reserve Peta Beckett and her horse Watermark III. Beckett, 32, is a former fashion model and school science teacher who manages to compete at the top level on the salary of a part-time college lecturer with a student husband and two small children.

Luckily, her 11-year-old gelding Watermark III is a horse in a million. "Watermark has a beautiful rhythm and just keeps galloping," says Beckett. "He's also one of the soundest and most consistent horses on the eventing circuit and he has to be. Although the prize money is small I rely on it and a small amount of sponsorship from First Line Logistics, a local transport company, to keep competing. If Watermark wasn't finishing in the top 10 week in and week out, we just couldn't afford to be on the circuit."

This lack of commercial backing is what makes Beckett and her horse so unusual. Peta Beckett herself owns Watermark, who lives in a field adjoining the family's Oxfordshire cottage. The gelding was a gift from a friend six years ago, written off by insurers as worthless after he had "done the splits" in a bad accident. The rider is hugely ambitious, with her sights set on the Sydney Olympics despite her financial struggles and family commitments.

The way things have been going, she could well find herself in the spotlight at Rome a month from now.



Peta Beckett on Watermark: 'one of the most consistent horses on the circuit'

David Miller/Henry &amp; Jones

## Rugby

# Welcome relief after receivership

Economics are a bigger threat than politics, as Bristol and Coventry realise, says Huw Richards

At last, some rugby. And nowhere will more profound relief be felt than in the English domestic season kicks off today than at Coventry and Bristol.

The rest of us may be heartily tired of the game's interminably destructive politics. For these two clubs the relief is being there at all, after going into receivership during the summer. Their fate is a reminder that Russian-style economics is as much of a threat to the game as Byzantine politics.

The English game might perhaps lose the odd London club without suffering serious damage – Richmond, who have left the venerable Athletic Ground to share Reading FC's new stadium, appear to have come to the same conclusion. But to lose either Coventry or Bristol would leave a giant gap, comparable to football losing Everton and Wolverhampton Wanderers. They are among England's historic giants – the handful taken seriously in Wales when such approbation

was the surest measure of an English club's real status.

Both drew on deep-rooted local strength – Bristol on schools such as Colston's and Bristol Combination, Coventry on what historian Adrian Smith, a native of the city, has described as a "genuine rugby culture fostered, not simply in the two oldest grammar schools, but in secondary schools such as Bakers Butts and Frederick Bird's".

Bristol's tradition was of flamboyant attacking play, counterpointing the grinding forward style of local rivals Gloucester. Coventry produced brilliant backs like England wings Peter Jackson and David Duckham, but also had all-round strength

that made them the outstanding English club for around 20 years to the mid-1970s. They supplied most of the Warwickshire team which won seven county championships, then the main domestic trophy, between 1958 and 1965. They took the English Cup (now the Fletty Cup) in 1973 and 1974, its second and third seasons – beating Bristol in the 1973 final.

Decline in both cases set in before the adoption of professionalism – Coventry lost First Division status in 1968, while Bristol were consistently among the top rank's lower middle-classes before finally falling at the end of last season. Bristol lost players such as Stuart Barnes, the most dangerous

attacker in English club rugby for a decade from the mid 1980s, and England full-back Jon Webb to Bath.

Neil Back, a native of Coventry, played for two junior clubs in the city before moving first to Nottingham then to Leicester. Richard Cockerill, now England's leading hooker, did play for Coventry but soon moved to Leicester. Neither club has been blameless in its own demise. Both had too many ordinary players on lucrative contracts.

But from the moment in late 1995 when Sir John Hall of Newcastle initiated rugby's galloping salary inflation by giving Rob Andrew a huge contract and

carte blanche to buy a top-class squad, clubs without rich backers have had to choose between uncompetitiveness and spending money they haven't got in the hope that success might follow. Bristol produced two 1997 British Lions forwards – Jack Simon Shaw and hooker Mark Regan – and promptly lost them to richer clubs.

In the 1996-97 season, Coventry, trying to win promotion from the Second Division, were confronted by the nouveau riche financial juggernauts of Newcastle and Richmond. They beat Newcastle, drew with Richmond and ended a creditable third before losing to London Irish in the playoffs. Lock Danny Grew-

cock was capped on England's tour of Argentina, then moved to Saracens. Last season, the Second Division was dominated by another newly wealthy club, Bedford. During the close season, England prop Rob Hardwick moved to London Irish. Coventry start the new season at newly promoted Worcester, the latest in the division's seemingly endless supply of new plutocrats.

Bristol kicked off at Exeter. As with Coventry, the price of survival is, for the moment at least, reduced circumstances with most full-time contracts giving way to part-time deals within the means of new owners. Financial sanity, undoubtedly, but likely to make it still more difficult to compete

for the very best players. Bristol's enduring ambition was proved by the recruitment of Bob Dwyer, coach of the 1991 Australian World Cup winners.

But the sale of the Memorial Ground by the receiver means they are tenants on the ground they have occupied since 1921, while quality players, among them Irish internationals David Corkery, Paul Burke and Kevin Maggs and former Wales scrum-half Robert Jones, have been lost. Last weekend they were defeated 76-5 by Northampton.

All this has implications far beyond Bristol and Coventry's long-suffering supporters. If rugby wants to develop as a serious, stable professional game, it has to move beyond its current status as a rich man's toy. Bristol is the largest city in the UK where rugby union can be considered a serious competitor to football. If such a large, prosperous community with so deep-rooted a rugby culture is not capable of supporting successful professional rugby, where is?

INTERNATIONAL ARTS GUIDE

What's on around the world

AMSTERDAM

**CONCERT**  
Concertgebouw  
Tel: 31-20-675 4411  
Los Angeles Philharmonic, conducted by Esa-Pekka Salonen in works by Adams, Mahler and Sibelius. With mezzo-soprano Lorraine Hunt; Sep 8

**EXHIBITION**  
Rijksmuseum  
Tel: 31-20-673 2121  
Bellenger: An Unconventional Etcher. Brings together etchings and drawings by the 17th century Alsatian artist, who was painter at the court of the Duke of Lorraine in Nancy from 1602 until his death in 1618; to Oct 18

**OPERA**  
Netherlands Opera, Het Muziektheater  
Tel: 31-20-551 8911  
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen. Cast includes Heinz Kruse, Jeannine Altmeyer and Henk Smits; Sep 8

ATLANTA

**EXHIBITION**  
High Museum of Art  
Tel: 1-404-733 4444  
Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, all of them without formal training. Includes paintings, sculpture and installations by artists ranging from Grandma Moses (1860-1961) to Ken Grimes (b.1947); to Sep 20

BADEN-BADEN

**CONCERTS**  
Festspielhaus  
Chicago Symphony Orchestra, conducted by Daniel Barenboim in works by Schoenberg and Mahler; Sep 8

BEIJING

**OPERA**  
The Forbidden City  
www.forbidden-city.com  
Turandot: by Puccini. Conducted by Zubin Mehta in a staging by Zhang Yimou. With the Maggio Musicale Fiorentino; Sep 5, 6, 7, 8, 9, 10, 11

BIRMINGHAM

**CONCERTS**  
Symphony Hall  
Tel: 44-121-212 3333  
Chicago Symphony Orchestra, conducted by Daniel Barenboim in works by Strauss, Berg and Tchaikovsky; Sep 5  
Czech Philharmonic: in a programme of works by Janáček, Beethoven and Dvořák; Sep 9

BONN

**EXHIBITION**  
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland  
Tel: 49-228-917 1200  
www.kah-bonn.de  
Great Collections: the latest in this series of exhibitions is devoted to the Musée du Petit Palais in Paris. Concentrating on the museum's holdings of 19th century French art, the show comprises nearly 200 works and ranges across painting, drawing and sculpture. Includes works by Ingres, Delacroix and the Impressionists; to Sep 27

BRUSSELS

**CONCERTS**  
Palais des Beaux-Arts  
Chicago Symphony Orchestra, conducted by Daniel Barenboim in works by Berg and Mahler; Sep 7  
Chicago Symphony Orchestra, conducted by Daniel Barenboim in works by Wagner, Schoenberg and Tchaikovsky; Sep 8

BUDAPEST

**EXHIBITIONS**  
Hungarian National Gallery, Buda Castle  
Tel: 36-1-375 7533  
Jozsef Rippl-Rónai: retrospective of the Hungarian post-impressionist, comprising 250 works. Includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums; to Sep 6, then transferring to Saint-Germain-en-Laye near Paris

**Museum of Applied Arts**  
Tel: 36-1-217 5222  
Zsolnay: Art Nouveau Ceramics. Display of 200 objects made between 1897 and 1918 at the family-owned Zsolnay factory in Pécs. Includes goblets, vases and other objects; to Sep 27

CHICAGO

**EXHIBITION**  
Art Institute Of Chicago  
Tel: 1-312-443 3800  
www.artic.edu  
Japan 2000: Design for the Japanese Public. Includes watches and bicycles; Kisho Kurokawa Gallery; to Sep 7

COLOGNE

**CONCERT**  
Philharmonie  
Los Angeles Philharmonic, conducted by Esa-Pekka Salonen in works by Sibelius, Salonen and Stravinsky; Sep 10

DUSSELDORF

**CONCERTS**  
Tonhalle  
Los Angeles Philharmonic, conducted



Zhang Yimou's staging of Puccini's 'Turandot', seen last year in Florence, opens tonight at the Forbidden City in Beijing

by Esa-Pekka Salonen in works by Copland, Sibelius and Stravinsky; Sep 9

EDINBURGH

**EXHIBITIONS**  
National Gallery of Scotland  
Tel: 44-131-624 6200  
Effigies and Ecstasies: Roman Baroque Sculpture and Design in the Age of Bernini; to Sep 20

**Royal Museum**  
Tel: 44-131-225 7534  
www.rms.ac.uk  
Chinese Lacquer: 48 objects selected from the museum's lacquerware collection, the oldest of which is more than 2,000 years old. Highlights include an eared cup from the Han dynasty and two 18th century Qing thrones; to Mar 28

**Scottish National Gallery of Modern Art**  
Tel: 44-131-624 6200  
Mona Hatoum: 46 works ranging from photographs and videos to sculptures made from materials including hair, wax, soap, steel, rubber, pins and razor blades; to Oct 25

**Scottish National Portrait Gallery**  
Tel: 44-131-624 6200  
The Winter Queen: The Life of Elizabeth of Bohemia. Includes around 50 paintings, plus a selection of engravings and medals; to Oct 4

**OPERA**  
Edinburgh International Festival  
Tel: 44-131-473 2000  
www.go-edinburgh.co.uk  
Dallor: by Smetana. New Scottish Opera production by David Pountney. With sets by Ralph Koltai and costumes by Sue Williamson. The conductor is Richard Armstrong; Edinburgh Festival Theatre; Sep 5

**THEATRE**  
Edinburgh International Festival  
Tel: 44-131-473 2000  
www.go-edinburgh.co.uk

More Stately Mansions: by Eugene O'Neill. Adapted by Karl Ragnar Gierow from O'Neill's unfinished manuscript. Ivo van Hove directs the New York Theatre Workshop; Royal Lyceum Theatre; Sep 5  
Phèdre: by Racine. New Théâtre Vidy-Lausanne production, directed by Luc Bondy; King's Theatre; Sep 5

FORT WORTH

**EXHIBITION**  
Kimbell Art Museum  
Tel: 1-817-3328451  
www.kimbellart.org  
Modernism - The Art of Design 1890-1940: widening display of works from the Northwest collection. Examples range from the British Arts and Crafts movement and Art Nouveau through the Bauhaus and Art Deco to the 1920s and 1930s; to Sep 13

FRANKFURT

**CONCERTS**  
Alte Oper  
Tel: 49-69-134 0400  
Radio Symphony Orchestra Frankfurt, conducted by Leonard Slatkin in works by Enescu, Barber and Schumann. With soprano Linda Hohenfeld; Sep 10, 11

**OPERA**  
Oper Frankfurt  
Tel: 49-69-21237 999  
www.operfrankfurt.de/oper  
La Traviata: by Verdi. In a staging by Axel Corti; Sep 6, 11

LAUSANNE

**EXHIBITION**  
Musée Cantonal des Beaux-Arts  
Tel: 41-21-312 8332  
The Collection of Dr Henri-Auguste Widmer: In 30 years, Widmer collected more than 600 works of art. This display, designed to pay tribute to one of the museum's most generous donors, includes works by Boudin, Daubigny, Chintreuil and Rousseau. The exhibition also includes sculptures and a selection of antiquities; to Nov 8

LONDON

**CONCERTS**  
BBC Proms, Royal Albert Hall

Tel: 44-171-589 8212  
BBC National Orchestra of Wales: conducted by Mark Elder in works by Stravinsky, Szymanowski, Debussy and Holst. With the BBC National Chorus of Wales and soprano Valérie Anderson; Sep 10  
Bournemouth Symphony Orchestra: conducted by Yehov Kreizberg in works by Glinka, Rachmaninov and Schmidt. With piano soloist Arkady Volodos; Sep 8  
Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in Beethoven's Missa Solemnis. With the Arnold Schoenberg Choir; Sep 11  
Czech Philharmonic: conducted by Janáček and Mahler; Sep 7  
Czech Philharmonic: conducted by Libor Pešek in works by Dvořák, Szymanowski and Brahms. With violin soloist Raphael Oleg; Sep 8  
European Union Youth Orchestra: conducted by Vladimir Ashkenazy in works by Berg and Strauss. With soprano Barbara Bonney; Sep 5  
London Symphony Orchestra and Chorus: conducted by Colin Davis in works by Beethoven (arr. Colin Davis and David Matthews) and Tippett. With soloists including bass John Tomlinson; Sep 6

**EXHIBITIONS**  
British Museum  
Tel: 44-171-636 1555  
Maori: display of more than 500 objects relating to the Maori people of New Zealand, including material collected by Captain Cook on his voyages between 1768 and 1780. Ranges from giant wood carvings to canoes, tools and woven cloaks and ornaments; to Nov 1  
Persian and Indian Manuscripts and Paintings: the Royal Asiatic Society is celebrating its 175th anniversary with an exhibition of objects rarely seen by the public. The highlight is the Book of Kings made for Muhammad Juk, one of the great Persian manuscripts of the 15th century; to Sep 13

**Hayward Gallery**  
Tel: 44-171-261 0127  
www.hayward-gallery.org.uk  
Bruce Nauman: spanning the career of the American artist, b.1941, this exhibition focuses on his relationship with language, and includes sound and video installations; to Sep 6

**National Gallery**  
Tel: 44-171-639 3321  
Venice through Canaletto's Eyes: taking the form of a journey along the Grand Canal, this display brings together 23 paintings and drawings of the artist's native city, mainly drawn from British collections; to Oct 11

**Royal Academy of Arts**  
Tel: 44-171-300 8000  
Chagall: Love and the Stage. A series of monumental mural paintings created in 1920 for the State Yiddish Chamber Theatre in Moscow forms the centrepiece of this exhibition. Shown alongside are preparatory drawings and sketches; to Oct 4

**Tate Gallery**  
Tel: 44-171-887 8000  
Patrick Heron: b.1920, Heron is one of the leading figures of 20th century British art. He led the development of abstract art in Britain with his stripe paintings produced in the 1950s. This display includes around 80 paintings, from the 1930s to the present; to Sep 6

**LUCERNE**  
**CONCERTS**  
International Festival of Music  
Tel: 41-41-226 4400  
www.lucernefestival.ch  
Amsterdam Baroque Orchestra: Ton Koopman conducts works by Mozart. With soprano Lisa Larsson, contralto Elisabeth von Magnus, tenor Paul Agnew and bass Klaus Mertens; Sep 6  
BBC Symphony Orchestra: Andrew Davis conducts works by Ravel, Mozart, Walton and Elgar. With pianist Richard Goode; Sep 7  
Chicago Symphony Orchestra: Daniel Barenboim conducts works by Strauss, Berg and Tchaikovsky; Sep 11  
Leipzig Gewandhaus Orchestra: In works by Honneger and Bruckner. The conductor is Herbert Blomstedt; Sep 8  
Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in

works by Debussy and Varèse. With soprano Sarah Leonard; Sep 5

MADRID

**EXHIBITION**  
Fundació "la Caixa"  
Tel: 34-91-435 4833  
Lucio Fontana (1899-1968): Retrospective of the Italian pioneer of conceptual and multimedia art, which emphasises the contrasts within his work; to Sep 13

**Museo Nacional Centro de Arte Reina Sofia**  
Tel: 34-91-467 5062  
Federico García Lorca (1898-1936): centenary celebration of the Spanish poet. Includes biographical material and examples of the different forms in which Lorca worked - including theatre, music and the visual arts - with friends and collaborators including Falla, Dalí and Bunuel; to Sep 21

**Thyssen-Bornemisza Museum**  
Tel: 34-91-4203 944  
Paul Klee (1879-1940): retrospective comprising over 100 works, including private and public loans; to Oct 12

MARTIGNY

**EXHIBITION**  
Fondation Pierre Gianadda  
www.gianadda.ch/index.html  
Paul Gauguin retrospective: organised to mark the gallery's 20th anniversary. More than 100 works have been borrowed from public and private collections from around the world; to Nov 22

MUNICH

**EXHIBITION**  
Haus der Kunst  
Tel: 49-89-211270  
Expressionists: the Buchheim Collection. Widespread display of works assembled by the painter and novelist Lothar-Günther Buchheim over the past 50 years. Includes works by Kirchner, Schmidt-Rottluff, Corinth, Beckmann and Kokoschka, as well as early watercolours and graphics by Dix and Grosz; to Oct 18

NEW YORK

**Guggenheim Museum**  
Tel: 1-212-423 3500  
www.guggenheim.org  
Vilhelm Hammershoi (1864-1918): Danish Painter of Solitude and Light. Retrospective seen in Copenhagen and Paris last year, comprising 60 works by this relatively unknown contemporary of Munch. Includes portraits and landscapes as well as interiors, many of which depict the rooms of his Copenhagen home; to Sep 7

**Metropolitan Museum of Art**  
Tel: 1-212-879 5500  
www.metmuseum.org  
Louis Comfort Tiffany: celebrating the 150th anniversary of the artist's birth, this exhibition, drawn from the museum's collection, includes leaded-glass windows and lamps, vases, furniture, enamels and jewellery. A selection of drawings will also be on display; to Jan 1  
Sir Edward Burne-Jones: first American exhibition devoted to the 19th-century British artist, comprising more than 200 works, including tapestries and jewellery as well as paintings. A second generation Pre-Raphaelite, Burne-Jones also had a lifelong working relationship with William Morris, for whose firm he worked as a principal designer; to Sep 6, then transferring to the UK

**Museum of Modern Art**  
Tel: 1-212-708 3480  
www.moma.org  
Aleksander Rodchenko (1891-1956): first major US retrospective of the most important Russian artist of the period following the 1917 revolution. A founder and leading theorist of Constructivism, Rodchenko abandoned the traditional mediums of painting and sculpture in favour of experimental forms, photomontage and graphic design. The show presents 300 works created between 1915 and 1939; to Oct 6  
Bonnard (1867-1947): previously seen at London's Tate Gallery, this major retrospective includes more than

100 paintings: landscapes, still lifes, a series of nudes, and several self-portraits; to Oct 1

Love Forever - Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to prominence in the late 1950s, while living and working in New York, with a series of large-scale monochromatic paintings called Infinity Nets. Following her return to Japan in the early 1970s Kusama was largely forgotten in the US. This display includes installations and a film as well as paintings, sculptures, photographs and collages; to Sep 22

Tony Smith (1912-1980): Architect, Painter, Sculptor. Includes some 50 paintings and 50 drawings, as well as plans, sketches, photographs and models of architectural projects. 25 large-scale steel sculptures are on display in the Sculpture Garden, while a temporary exhibition of monumental works is installed at selected public sites in Manhattan, in collaboration with the Public Arts Fund; to Sep 22

**Whitney Museum of American Art**  
Tel: 1-212-3272801  
Mark Rothko: major retrospective of the American abstract artist. Including loans from Europe and Japan. The 100 works on display encompass all phases of Rothko's career, from the late 1920s to 1970; from Sep 10 to Nov 29

**OPERA**  
New York City Opera, New York State Theatre  
Tel: 1-212-870 5570  
www.nycoopera.com

Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manahan. Lisa Saffer sings the title role; Sep 11  
Tosca: by Puccini. New production by Mark Lamos, opening the Opera's 1998-1999 season. George Manahan conducts and the cast includes Isabelle Kabatu, Antonio Nagare and Mark Delavan; produced in association with Glimmerglass Opera; Sep 10

PARIS

**EXHIBITIONS**  
Musée du Louvre  
Tel: 33-1-4020 5151  
www.louvre.fr  
Astronomy and Astrology in the Islamic World: display of instruments developed by Arab astronomers between the 8th and 15th centuries, shown alongside a selection of everyday and religious objects decorated with astrological designs; to Sep 21  
Bassano and His Sons: works by the Venetian painter and his sons, with whom he established a very successful workshop. The display brings together works owned by the Louvre with loans from other French museums; to Sep 21

PROVIDENCE

**EXHIBITION**  
The RISD Museum  
Gifts of the Nile: Ancient Egyptian Faience. Display of ceramics, known as faience, a mixture worked by the Egyptians and regarded by them as magical. Brings together over 200 works, including statuettes of kings and gods, animals, and inlaid boxes ranging over 5000 years. Includes works borrowed from public and private collections in the US and Europe; to Jan 3

ROME

**EXHIBITION**  
Borghese Gallery  
Bernini, the Sculptor: The Beginning of Baroque Art in the Borghese Family. Brings together pieces belonging to the Villa with loans from abroad, including the famous Hermaphrodite from the Louvre. Includes self-portraits and early pieces, as well as paintings by Lanfranco; to Sep 20

SAN FRANCISCO

**EXHIBITION**  
San Francisco Museum of Modern Art  
www.sfmoma.org  
Alexander Calder (1898-1976): around 250 works, among them some of the best examples of Calder's formally innovative sculpture. Alongside the mobiles and stabiles are selected

paintings, drawings and jewellery; to Dec 1

TOKYO

**CONCERT**  
Sunory Hall  
Tel: 81-3-3584 9999  
Japan Philharmonic Symphony Orchestra: conducted by Gianluigi Gelmetti in Rossini's Petite Messe Solennelle; Sep 6  
Japan Shinsai Symphony Orchestra: conducted by Antonello Allemandi in works by Rossini; Sep 5  
NHK Symphony Orchestra: conducted by Chung Myung-whun in works by Messiaen, Schostakovich and Tchaikovsky. With violin soloist Maxim Vengerov; Sep 10

Yomiuri Nippon Symphony Orchestra: conducted by Gilbert Varga in works by Ravel, Bartok and Tchaikovsky; Sep 11

**EXHIBITIONS**  
Metropolitan Art Museum  
Tel: 81-3-3823 6921  
The Carmen Thyssen-Bornemisza Collection: touring show of 94 paintings, ranging from the 18th century to the early 20th. Highlights include 18th century Spanish works and works by American painters. Also on display are recently acquired works by Delaunay and Braque; to Oct 4

**Museum of Contemporary Art**  
Tel: 81-3-5245 4111  
At the End of the Century: One Hundred Years of Architecture. Touring exhibition reflecting on a century of dramatic change; to Sep 6

TORONTO

**EXHIBITIONS**  
Art Gallery of Ontario  
Tel: 1-416-979 6656  
The Courtauld Collection: 81 works on loan from London by artists including Manet, Degas, Monet, Renoir and Cézanne. Highlights include Manet's La Déjeuner sur l'herbe; to Sep 20  
Victorian Fairy Painting: exploring the fascination with faeries and the supernatural which took hold of artists and writers in Britain from the early 19th century to the outbreak of the First World War. Includes works by Turner, Landseer, and Richard Dadd; to Sep 13

**Royal Ontario Museum**  
Tel: 1-416-585 8000  
A Grand Design: The Art of the Victoria and Albert Museum. North American tour of selected objects from the V&A's collection; to Sep 13

TURIN

**CONCERT**  
Lingotto Fiere  
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Schoenberg and Bruckner; Sep 7

WASHINGTON

**CONCERTS**  
Wolf Trap  
Tel: 1-703-218 6500  
Monsters of Grace: multimedia collaboration between composer Philip Glass and theatre director Robert Wilson, to be viewed through 3-D glasses; Sep 8

**EXHIBITIONS**  
National Gallery of Art  
Tel: 1-202-737 4215  
www.nga.gov  
Artists and Avant-Garde Theatre in Paris: exhibition exploring the dynamic relationship between the visual and performing arts which developed in Paris in the 1880s and 1890s, when theatres like the Théâtre de l'Oeuvre produced new plays and original prints were commissioned to decorate theatre programmes; to Sep 7  
Manet, Monet, and the Gare Saint-Lazare: places Manet's famous painting in a context provided by works by other artists and a group of related drawings, prints and photographs; to Sep 20

Arts Guide by Susanna Rustin  
e-mail: susanna.rustin@ft.com  
Additional listings supplied by ArtBase tel: 31-20-664 6441  
e-mail: artbase@ft.com

# Weekend Investor

Wall Street

## It's a turn for the worse, stupid

Richard Waters wonders where to find a refuge in these troubled times

In the end, it's all about profits. That was the message this week from Peter Lynch, the legendary mutual fund manager who helped turn Fidelity into a giant. And if that is the case, then the nasty turn taken by US stock prices suggests that American investors are beginning to get a very bad feeling about what is going to happen to corporate earnings.

Wall Street may have summoned up enough enthusiasm for a half-hearted rally on Tuesday, but there was no mistaking the overall direction: down. By early yesterday afternoon, the Dow Jones Industrial Average looked to be heading for a loss of about 5 per cent for the week. It lost about the same the week before.

Further sickening lurches, such as the 6.4 per cent drop on Monday, could be in store as investors continue to reconsider their once rosy view of future profits – something that Alan Greenspan, the cautious Fed chairman, has been urging them to do.

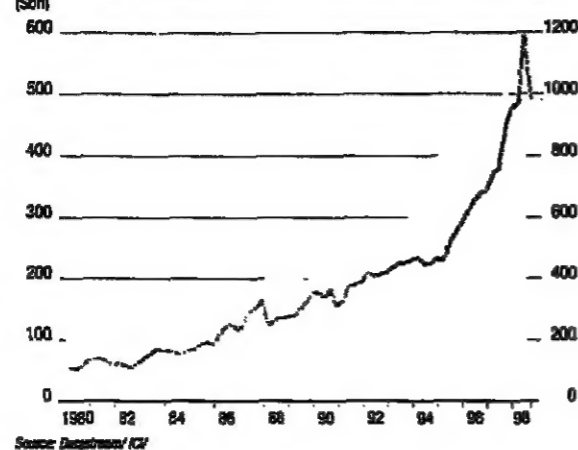
According to Lynch, share prices have gone up 54-fold since the end of the second world war, while earnings have gone up 80-fold. Share prices may rise faster than earnings over extended periods – as they have in the past three years – but, sooner or later, the two move back into equilibrium.

Earnings have certainly risen strongly in the 1990s, providing one of the main sources of fuel for the bull market. According to First Call, a company which tracks corporate profits, earnings have climbed at an average rate of 7 per cent a year over the past three decades: since 1991, though, they have far eclipsed that.

Things have now taken a turn for the worse. The Asian slump last year helped bring earnings growth for US companies in the first half of 1998 almost to a halt. Then the stock market consoled itself with the thought that profits would bounce back again in the second half of this year.

Suddenly, Wall Street does not seem so sure. Russia has little direct impact on corporate America, but the shocking financial collapse in Russia last month touched off a wave of concern that the

All about profits  
US corporate profits (after tax)  
(Bill)



next dominoes to fall would be in Latin America – a region that matters far more to American profits. About 21 per cent of US exports go there – more than the 14 per cent that go to Asia.

And as more emerging markets stumble, the developed economies of the US and Western Europe may find it increasingly difficult to avoid a recession.

This is the real concern that lies behind Wall Street's unease. A month ago, the word "recession" was seldom heard: US economists now talk of it as a serious possibility. US companies generate 70 per cent of their profits at home, and another 17 per cent in Western Europe. The safety of these profit havens may be in jeopardy.

The impact can be seen most clearly in the share prices of companies that rely on the emerging world for their profits, and in those which are particularly sensitive to a domestic downturn.

The former camp includes Coca Cola and Citicorp. The soft drink maker and the banking group attracted a substantial following on the belief that their powerful brand names and extensive presence in the emerging world would translate into fast growth. Coca Cola is now down 30 per cent from its peak, while Citicorp has tumbled nearly 50 per cent.

The latter group includes domestic banks, whose earnings would be vulnerable to credit losses in a recession. The share prices of banks as a whole have fallen by a third since July. What refuge is there in

such troubled times? Those companies whose earnings are best insulated from the harsh economic winds, perhaps – or whose share prices already reflect little expectation of rising profits.

That might include local telephone companies and electric utilities, demand for whose services remains fairly constant, whatever the economic conditions. Automobile companies, on the other hand, would suffer in a downturn – but their share prices seem to reflect much of that concern already and so may have less far to fall.

And what about the companies that never had any profits to lose in the first place? Internet stocks were the wonders of this spring and early summer, lifted by the enthusiasm for the new medium – even though most of them had never earned a profit. The deflation that has hit the stock market has certainly let the air out of the tyres of some of these companies.

However, the "blue chips" of the internet industry, companies like America Online and Amazon.com, have held up pretty well. Yahoo may have fallen nearly 30 per cent from the peak – but if you had bought the shares this time last year, you would still have more than trebled your investment.

**Dow Jones Ind Average**  
Monday 7,538.07 - 512.51  
Tuesday 7,827.43 + 288.36  
Wednesday 7,782.37 - 45.06  
Thursday 7,682.22 - 100.15  
Friday

London

## The minnows are drowning

But Philip Coggan dredges up hope for tiddlers

They were small and could not hope for help and no help came.

W H Auden was not renowned as a stock market investor, but he could easily have been describing the plight of the UK smaller company. After the share price rally at the end of the early 1990s recession, each successive revival has petered out.

Once again, during the 1998 bear market, smaller stocks are about as popular as a bouquet of flowers at a hay fever convention. While the daily movements in the blue chip FTSE 100 index have seized the headlines, smaller stocks have received a fearful battering. By Thursday night, the FTSE SmallCap index had fallen 26 per cent from its May 26 peak.

It has been virtually

impossible for small cap investors to find a safe haven. Since the index peak on May 26, only 21 of the SmallCap's 500 or so constituents have actually risen in price. About 350 have fallen by more than 20 per cent; 200 have suffered a 30 per cent plus decline.

Bill Mott, head of UK equities at Credit Suisse, says: "What really caused the turnaround in smaller stocks was the sudden rise in interest rates in June. It is generally perceived that smaller companies are more sterling and interest rate sensitive than their larger brethren. Since that fall, the situation has been compounded by fears of deflationary pressures from south east Asia, Japan and Russia. What we thought was a short term setback has been turned into a general rout."

Economists have been reducing their UK growth forecasts for 1999, and that has clouded the outlook for

smaller stocks, which are heavily weighted in cyclical industries such as engineering.

The FTSE 100 contains a higher weighting of multinational stocks and defensives such as utilities. According to John Evans, a partner at Aberforth, the smaller companies specialist: "The market is now indicating that there's going to be a much harder landing than was anticipated at the start of the year."

The rather cloudy outlook for smaller companies has unfortunately occurred at a time when investors are nervous about all types of risks because of the crisis in emerging markets. At such times, the illiquidity of smaller stocks counts against them. Winterflood Securities, the specialist in smaller company stocks, reports that turnover has been very low, with volatility discouraging investors. "In a poor equity climate,



Help: but small companies have got the boot many times

investors haven't wanted to get involved with smaller stocks. There has been a virtual buyers strike and marginal selling has had a big effect on prices," says Mott. Fund management group Gartmore says it has sold 5-10 per cent of its smaller company holdings over the last three months.

But the big fall in share prices has created opportunities. Predators are now prowling the sector in search of bargains: yesterday TLG (the former Thorn Lighting Group) received a bid from Coopers Industries and David Brown, the engineering group, accepted an offer from Textron. Both the bidding groups are from the US.

Meanwhile, UFF, a vehicle chassis maker, agreed to be taken over by Hartrade, the venture capital group, in a sign that venture capitalists now believe the market is undervaluing smaller stocks. A steady stream of takeovers and buy-outs could help put a floor under smaller company share prices.

At the same time, many smaller company directors have been showing their confidence in their prospects, and their surprise at depressed share prices, by buying stock in the market. On Wednesday, for example, directors of Roxspur, Hickson International and Paragon were all reported to be buying.

A recent Merrill Lynch survey found that there are more than six directors buying for every one selling, the highest ratio recorded since the data started to be compiled in 1996.

Some investors are already looking for bargains. "In selected areas, smaller stocks now offer outrageous value," says Mott. "You can find stocks which yield more than gilts, have strong cash-flow and balance sheets and where the trading outlook is dull rather than awful."

For the private investor who cannot be bothered to scan through smaller company accounts, there could be another way of playing a small company recovery.

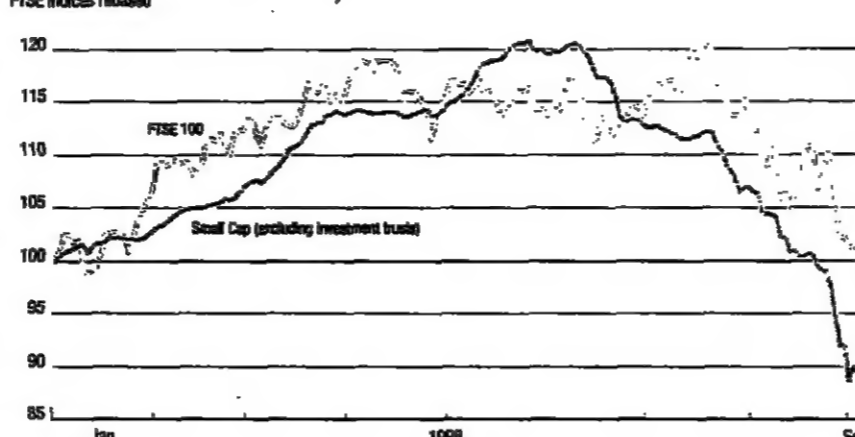
Investment trusts in the sector now stand at 20 per cent plus discounts. On top of the falls in their underlying assets, this has led to some very big declines in share prices; Fleming Smaller Companies is down about 37 per cent from its 52-week high.

Of course, even if the optimists are right, there is no need to hurry. World markets continue to be highly volatile. Wall Street followed its second biggest one day points drop with its second biggest rise this week. But that rally petered out, as so many have since mid-July.

Latin America edged closer to becoming the latest region to plunge into crisis this week, with the Colombian peso devaluation followed by downgrades of the foreign currency debt of Brazil and Venezuela. And Malaysia's significant retreat from the free market system, creating severe problems for the holders of some unit trusts. These are very risky times.

philip.coggan@FT.com

Small and getting smaller  
FTSE index released



### Highlights of the week

	Price	Change	52 week	52 week
	High	Low	High	Low
FTSE 100 index	5167.0	-82.4	6179.0	4711.0
ASDA	198	+18	2274	128
Burdys	1230	-185	1896	1068
Biffen	122	+19	2494	984
Bryant	87	+8	1051	704
Capita Group	4864	-57	638	2646
Carbo Int	119	-14	2224	874
Land Securities	880	+81	1190	800
Logica	1980	-2824	23124	902
Orange	5734	-1364	620	2094
Parsons	1574	+18	2594	1334
Reed Int	484	+54	730	430
Rubicon	2274	-674	2484	105
Schroder	1280	-210	3025	9134
Shell Transport	3814	+454	4894	312

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**SARASIN**  
Global Thematic Managers

Barry Riley

## Porridge for the bears

A payoff is coming for a long series of distortions

How bad will it be? We can scarcely have been misled, so far, by the correction suffered by the obviously overpriced western stock markets.

We could still be shocked, however, by the eventual size of the fall. The German market has already slumped by 22 per cent in about six weeks.

The Goldilocks scenario was wonderful while it lasted, but it was always deeply flawed as the basis for long run stock market gains. It relied upon the suppression of inflation in the developed countries through the competitive impact of cheap manufactured imports and the weakness of commodity prices (especially that of oil).

Those imports were bound to undermine corporate profits in important sectors, which is why stock market leadership, towards the end of the bull run, was narrowly focused in certain technological and financial sectors which for a while seemed immune.

As for raw material prices, their weakness has inevitably undermined the finances of many developing countries, and the travails of Russia, Venezuela, Brunei and many other states have quickly weakened the international financial system.

Share prices have drifted a long way from underlying fair value. This is hard to pin down, but it is clear from the charts that the angle of advance of the Dow Jones Industrial Average

steepened sharply from 1985 onwards. If the Dow falls back to the pre-1985 trend (in a scaled-up re-run of what happened after the 1929 crash) we could be talking about 4,800 rather than the current 7,800, let alone the mid-July peak of over 9,300.

The UK market did not rise quite so aggressively, but a similar fall back to the long-term trend could imply 4,000 against 5,200 now and the high of 6,179.

It is not exactly a prediction, but there are strong historical precedents for a fall to perhaps 4,200. Meanwhile volatility is high. Large daily fluctuations in the indices, with falls or rises of as much as 3 per cent in the UK and even 6 per cent on Wall Street, have been characteristic of market tops, when there is such a big gap between the trend-chasers and the

value-seekers. But there is not yet despair. Some investors are still showing profits in this calendar year, and the bulls comfort themselves that, so far, the US and European economies still look reasonably strong, even though worldwide growth forecasts have been slashed from 4 to 2 per cent so far in 1998. But the problems are coming closer.

If you listen to the news bulletins you may get the

impression that this summer's slump is somehow all Russia's fault, but the underlying problem is a contraction in global liquidity. Bull markets feed off a tidal wave of credit, which cascaded into the financial markets until the early part of this year. Hedge funds and bank proprietary trading operations mushroomed in size, leveraged through the derivatives markets and techniques such as the "yen carry" trade whereby Japanese currency was borrowed at minuscule interest rates and invested in high-yielding assets outside Japan, including Russian debt.

When the markets are going up this dangerous expansion of speculative credit proves amazingly profitable for all concerned. Practitioners believe themselves to be tremendously clever, and they grab the huge profit shares and bonuses which

support that self-regard. Lending banks boast of their brilliant combination of low risks and widening margins. But serious distortions can result, and not just in the stock markets: as recently as July emerging market government bonds yielding under 6 per cent more than US Treasuries were regarded as reasonably priced.

Now, though, such bonds yield 12.5 per cent over Treasuries, according to the relevant J.P. Morgan index.

Risk has been repriced and credit providers are slamming down the hatches. Margin calls are forcing the speculators to sell. The massive repayment of those yen loans may partly explain the mysterious strength of the Japanese currency, although this may also signal the start of a dollar problem if US interest rates are seen to be about to fall, and if foreigners begin to dump their Wall Street stocks on a large scale.

The unravelling has just begun. It would be nice to think that we will suffer no more than a quick correction, but the payoff is coming for a long series of financial distortions, including the Japanese bust, which after eight years is still largely unresolved, the debt-financed Asian boom and the consumption-led unbalancing of the US economy.

Never mind, one day reasonably soon, lower down, we will be able to invest with confidence again in the stock markets. But we had better not do so using borrowed yen.

For an interactive guide to personal finance, visit <http://www.FTQuicken.co.uk>

■ **Directors' share dealings**  
Transactions in own companies:  
24th-28th August 1993

Company	Sector	Share	Value £'000	No of directors
<b>SALES</b>				
Lloyds Bank	Banks	2,000	16	1
Miner Estates	Prop	29,300	76	1
Jersey Phoenix Tst	Uncl	63	1	
<b>PURCHASES</b>				
Greene King	Brew	10,000	54	2
Hewstons	BMM	20,000	20	1
PKRington	BMM	20,000	79	1
Slaves Industries	Dist	20,000	19	1
Severfield	Eng	10,000	25	2
Toad plc	EngV	134,783	31	5
Lomho	Ext	100,000	272	1
CGU	Ext	2,000	19	1
Baldwin	LAH	20,000	25	1
Saids	LAH	40,715	38	3
Verdon	LAH	50,000	75	1
West Bromwich Alb	LAH	680	94	1
Ambient Media Corp	Media	60,000	43	1
Liberfabrica	PP&P	148,596	258	3
Hamfro Countrywide	Prop	280,000	259	3
Sevita Gordon	Prop	50,000	26	1
Allied Carpets Grp	RetG	197,413	92	2
Brown & Jackson	RetG	40,000	30	1
Corporate Services	SSer	25,000	45	1
Hogg Robinson	SSer	30,000	22	2
Britia Unwey	SSer	30,000	151	2
Hanson	Tms	1,000,000	30	1
Mersey Docks	Tms	4,000	20	1

Company must notify the Stock Exchange within five working days of a share transaction by a director. This list contains all transactions (listed and AIM) including exercise of options (?) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange. Shares traded are ordinary unless otherwise stated. ~~££-££-££~~

Source: BARRA The Inside Track, Edinburgh, 0131-623 7000

### ■ Last week's preliminary results

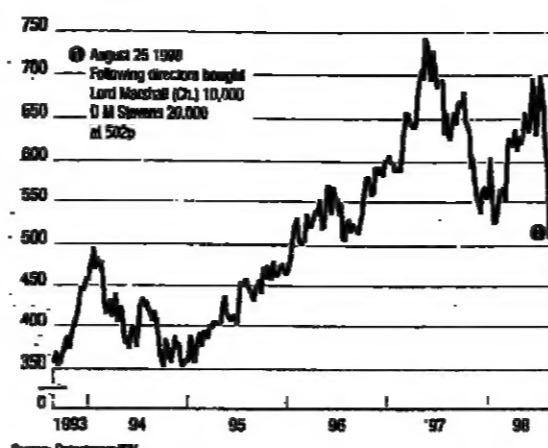
Company	Stock	Year	Pre-tax profit (\$ mil.)	Change in profit (\$ mil.)	Efficiency (per share) (\$)	
Abcam Instruments	Spide	Jan	1.74	0.813	17.7	6.3
Alcan. Forest	Spide	May	25.5	19.5	19,250	288
First Alcorn	Nov	Jan	3.04	2.55	8.64	6.69
DALA	Coal	Jun	10.7	7.83	16.25	12.40
Castle Mill	Nov	Feb	0.3	0.5	0.26	1.1
Finalist	Dist	Jan	23.8	18.5	24.6	22.9
Flaming Emerging	Wtr	Jan	122.8	119.9	0.41	0.08
Garnison Power & ⚡	Wtr	Jan	138.1	115.3	2.22	1.95
Harvard Bldg	Nov	May	4.70	4.2	13.3	14.4
Neptune Bldg	Nov	May	5.8	5.2	16.5	17.8
HSBC	HSBC	Jun	6.4	4.55	3.33	2.65
Jupiter Insurance	Wtr	Jan	7.09	4.81	9.8	6.3
Link Printing	EMEE	Jun	3.00	2.81	13.8	11.1
Macron	Spide	Jan	10.6	10.3	35.7	33.8
Microfilm	HSBC	May	2.7	25.4	10.5	6.92
Photo-Int	Spide	Jan	16.2	10.3	13.16	6.38
Pratt-Hill Int'l	Nov	Jan	1.44	1.13	71.85	45.5
Protein North Int	Nov	Jan	0.52	0.21	6.1	0.95
Shaw	Nov	Jan	1.62	0.3	6.1	0.95

### ■ Last week's interim results

Company	Sector	Year	Revenue £m	Profit £m	Market Share (%)
Abbot	OSBP	Jun 87	8,62	7.04	1.0
Abn	Inv	Jul	112.5	100.1	-
AMEC	Cons	Jun	22.6	4.02	2.1
AMEC	Cons	Jun	7.53	0.65	4.5
AMCO	Aut	Jun	3.33	0.22	3.5
Arcot	Dist	Jul	14.1	13.3	3.5
Antonov	AMN	Jun	1,081	0.913L	-
Atkeley	InvTr	Jun	94.9	83.8	-
Avonmore Waterford	PAFy	Jul	11.0	27.4	2.25
BCH	Cons	Jun	1.74	1.87	0.75
BSI	Trans	Jun	1.50	1.49	2.8
SCD Techs	AMN	Jun	1.71	1.77L	-
Banford	Eng	Jun	1.44L	0.300	- 0.25
Biocline Intl.	HWG	Jun	0.3	0.007	-
Bond Intl Software	AMN	Jun	0.284	0.179	-
Boosey & Hawkes	HSGT	Jun	1.25	1.76	2.28
Brands (T & J)	Eng	Jun	0.25	0.219	3.2
Brantme Hite	PAFy	Jun	82.8	82.4	1.9
Burn	Prop	Jun	11.8	7.82	1.15
Calford	SpSyS	Jun	1.81	2.06	7.5
Caldenham	News	Jun	2.57	1.23	0.7
Carlife	Prop	Jun	6.187	0.448	-
Casles	Orfs	Jun	2.87	32.5	3.9
Channon	AMN	Jun	1.27	0.665L	-
Church	ReIS	Jun	1.82	1.37	3.8
Churchill China	HSGT	Jun	1.02	2.57	3.0
Chubb	LAM	Jun	3.4	1.42	-
Clydeport	Trans	Jun	5.08	4.18	2.0
CHG	SpSyS	Jun	24.1	15.1	2.0
Cosmos	Inv	Jun	1.91	1.91	-
CHI & J	InvTr	Jun	165.5	65.21	- 4.345
CU Environmental	InvTr	Jun	15.24	14.3	-
Darby	BMSAM	Jun	1.3	1.2	1.3
DCS	SpSyS	Jun	3.05	2.94	1.25
Delph	SpSyS	Jun	2.12	7.02	2.85
Ding	Med	Jun	6.19	1.71	-
Edwin Brads	InvTr	Jun	3.44	2.59	1.32
Edinburgh Income	InvTr	Jun	7.37	76.2	0.9
Edos	SpSyS	Jun	2.88L	0.91L	-
Enterprise Oil	OSBP	Jun	4.78	140.3	6.9
Estates & General	Prop	Jun	0.054	1.13	0.5
Evans Halliwell	Inv	Jun	8.16	0.71	5.5
Fife	Med	Jun	0.005	0.912	1.2
Finlay (Lums)	PAFy	Jun	0.89	2.57	2.0
Flying Flowers	ReIS	Jul	2.8	3.37	2.45
Friendly Hotels	LAM	Jun	5.54	1.8	2.3
Garnmore Reading	InvTr	Jun	136.71	116.5	1.0
Gordon	SpSyS	Jun	1.0	1.0	0.5
Graham	BMSAM	Jun	10.5	8.3	2.0
Guardian IT	SpSyS	Jun	2.96	1.91	0.5
Hampden	ReIS	Jul	0.129	0.803	0.5
Hartford	AMN	Jun	0.108	-	-
Hickson Ltd	Chms	Jun	5	4.3	0.8
Highway Rise	Inv	Jun	0.685	0.719L	-
Holm Intl	Eng	Jun	0.171	0.254L	-
ISC	Med	Jun	0.11	8.33	4.1
Jilon	Inv	Jun	1.16	4.03	1.0
Johnson Press	Med	Jun	24.9	18.4	1.15
Jupiter SpA	InvTr	Jun	329.1	329.0	3.6
Kyocera	HWG	Jun	0.695L	0.242	-
Landon Bridge	SpSyS	Jun	2.71	0.983	1.5
Landon Fin & Inv	Unsp	Jun	0.186	-	0.5
M&G Recovery	InvTr	Jun	110.52	73.2	1.0
Macrae	PAFy	Jun	7.8	1.97	1.58
Manchester & London	SpSyS	Jun	10.06	10.3	15.9
Marichole	SpSyS	Jul	2.36	4.97	0.9
Marley	BMSAM	Jun	26.1	24.5	2.1
Marshall	BMSAM	Jun	19.9	1.5	2.33
Molten	ReIS	Jul	4.71	3.79	-
Meggit	Inv	Jun	17.7	13.8	1.6
MetWestech Ind	Eng	Jun	12.8	0.59	-
Middleton	Inv	Jun	11.3	7.7	8.5
Moish	Trans	Jun	1.83	0.864	1.0
Park Estates	AMN	Jun	0.191	0.179	3.25
Parfawood	Inv	Jun	0.325	0.528	0.6
Parico	n/a	Jun	10.2	8.1	3.0
Pennine Air VCT	InvTr	Jun	140.07	112.71	-
Perrins Foods	n/a	Jun	46.1	1.4	1.8
Perrinscom	n/a	Jun	28.1	23.3	8.3
Pike Tech	AMN	Jun	0.200	0.577	-
Pittards	HSGT	Jun	0.719	2.1	1.0
Park & General	PAFy	Jun	1.8	0.88	-
Prestbury	AMN	Jun	0.533	0.113	-
Psion	ESEE	Jun	4.11	4.05	0.8
Q	AMN	Jun	0.959	0.249L	-
Regal Hotels	LAM	Jun	7.4	1.61	0.4
Richard's Wgarts	LAM	Jun	1.54	2.56	1.8
Scotts Eastern	InvTr	Jul	153.9	140.8	0.88
Senior Eng.	Eng	Jun	24.3	21.9	1.7
Senco	SpSyS	Jun	13.7	10.6	2.3
Singer & Pfander	Orfs	Jun	26.9	2.12	2.36
SpaPharma	Pharm	Jun	10.4	3.17L	-
Stange Estates	Prop	Jun	48.6	80.5	4.125
Summit (A)	PAFy	Jun	8.47	0.16	1.85
Sunlight	HSGT	Jun	0.924	0.328	-
Swire Pacific	HSGT	Jun	0.924	1.46	2.2
Telnet Networks	ESEE	Jun	0.839L	0.424L	-
Waterford Wedgwood	HWG	Jun	8.0	10.2	0.4
Wendybay	LAM	Jun	12.1	2.88	2.0
Western Standard St	AMN	Jun	0.707	0.244	0.25
Whitson	Eng	Jun	7.91	8.27	0.0
Wig	ReIS	Jul	3.4	14.74L	0.4
Wiggins Bowden	Cons	Jun	35.8	29.1	4.0
Wilson (Commodity)	Cons	Jun	14.3	10.4	1.5

\*Figures in parentheses are for the corresponding period. †Dividends are shown net of taxes per share, except where otherwise indicated. ‡Lowest. † Net asset value per share. ‡ High point and price. ‡ 9-month figures. ‡ US dollar and cents. ● Produce year end figure. ‡ Net asset value. ‡ For future results versus our future forecast.

**British Airways**  
Share price (pence)



## Directors' dealings

**At West Bromwich Albion, Joe Brandrick, non-executive director, picked up 660 shares at £127.88 a share, writes Chris Egan**

West Brom are among several football stocks that have performed poorly since coming to the stock market: their shares have under-performed the market by 36 per cent over the last year. This was a late announcement, as the deal took place in March.

Two directors bought at British Airways. Lord Marshall, non-executive chairman, acquired 10,000 shares and he was joined by Derek Stevens, finance officer, who picked up 20,000. Both deals took place at 502p.

In the property sector, Milner Estates' Stephen Jaffe, executive director, sold 29,300 shares at 367p. He retains a holding of 32,753 shares.

### ■ Offers for sale, placings & introductions

**Platistar** & General is to raise £10m via a placing and extra offer of 19.7m shares @ 52p

## Bids and deals

# Electricity groups merge

**T**he merger of Southern Electric and Scottish Hydro-Electric will create one of Britain's biggest energy businesses, with a market capitalisation of £4.8bn, writes *Gauvan Malkani*.

The merged group, to be called Scottish and Southern Energy, will be based at Perth in Scotland and will supply 3.3m customers.

It will own about 5 per cent of the UK's generating capacity.

The deal will give Southern shareholders about 55 per cent of the combined business and Scottish Hydro-Electric shareholders 45 per cent. Southern shareholders will receive one Scottish Hydro share for every Southern.

**Applied Power**, the US engineering group, is to make its second foray into the UK engineering sector this summer by buying Rubicon for £200m.

Rubicon, which fits technical equipment into custom-made boxes and casings, is being offered 235p in cash or loan notes for every Rubicon ordinary share. However Applied plans not to pay the 4.9p final dividend proposed by Rubicon's board.

**Johnston Press**, the regional newspaper company, is to buy eight weekly titles from **Eastern Counties Press** for £8m, after being outbid by **ECN** earlier this year for **Home Counties Newspapers**, the group that contained them.

## ■ Current takeover bids and mergers

Company and ticker	Value of bid per share	Market price	Pre bid price	Value of bid in Cdn \$	Issuer
AG Holdings	137 <sup>1</sup> / <sub>2</sub>	136	88 <sup>1</sup> / <sub>2</sub>	26.77	Inland Corp
Baldwin	173 <sup>1</sup> / <sub>4</sub> -\$5	170	125	33.08	Eurocomp
Barnesand	6 <sup>1</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>2</sub>	8	18.33	Sander Hds
Blushid Toys	116 <sup>1</sup> / <sub>2</sub>	114 <sup>1</sup> / <sub>2</sub>	114 <sup>1</sup> / <sub>2</sub>	48.46	Metall
Buckland Grp	103 <sup>1</sup> / <sub>2</sub>	97	59 <sup>1</sup> / <sub>2</sub>	14.7	Cltex Grp
Concentric	169 <sup>1</sup> / <sub>2</sub>	157 <sup>1</sup> / <sub>2</sub>	143 <sup>1</sup> / <sub>2</sub>	87.38	New Sutton
Creative Publ	223 <sup>1</sup> / <sub>2</sub>	228 <sup>1</sup> / <sub>2</sub>	189 <sup>1</sup> / <sub>2</sub>	188.03	Hallmark Cards
David Brown	290 <sup>1</sup> / <sub>2</sub> -\$5	279 <sup>1</sup> / <sub>2</sub>	243 <sup>1</sup> / <sub>2</sub>	194.88	Yndex Inc
Dennis Grp	467 <sup>1</sup> / <sub>2</sub> -\$5	461 <sup>1</sup> / <sub>2</sub>	332 <sup>1</sup> / <sub>2</sub>	270.52	Hanley Grp
Dennis Grp	450 <sup>1</sup> / <sub>2</sub>	461 <sup>1</sup> / <sub>2</sub>	452.5	254.70	Mayflower
Dickie (James) &	135 <sup>1</sup> / <sub>2</sub>	130	128 <sup>1</sup> / <sub>2</sub>	12.21	Tiscley (Siza)
Inspec	340 <sup>1</sup> / <sub>2</sub>	347 <sup>1</sup> / <sub>2</sub>	332 <sup>1</sup> / <sub>2</sub>	599.76	Lupate
London & Manchester	600 <sup>1</sup> / <sub>2</sub>	593 <sup>1</sup> / <sub>2</sub>	508 <sup>1</sup> / <sub>2</sub>	742.8	Scoti Prvnt Lst
Paramount Foods	150 <sup>1</sup> / <sub>2</sub>	146	120	18.8	Grosmore
Polyhedron	88 <sup>1</sup> / <sub>2</sub>	86	66	30.10	American Tool Co
Radium	62 <sup>1</sup> / <sub>2</sub>	61 <sup>1</sup> / <sub>2</sub>	42	17.36	Budler
Robert Walters	285	284	278 <sup>1</sup> / <sub>2</sub>	70.12	Staffmark
Rubicon	225 <sup>1</sup> / <sub>2</sub>	227 <sup>1</sup> / <sub>2</sub>	180	207.27	Appl Power Inc
Scot Mtst Pl St Pl	174.72	168 <sup>1</sup> / <sub>2</sub>	171 <sup>1</sup> / <sub>2</sub>	55.79	Aberdeen Prid
Do Zim Do I	331.52	324	318 <sup>1</sup> / <sub>2</sub>	211.71	Aberdeen Prid
Do Income 2	107.2	102 <sup>1</sup> / <sub>2</sub>	104 <sup>1</sup> / <sub>2</sub>	171.15	Aberdeen Prid
Do Capital 3	228.9	107	204	146.18	Aberdeen Prid
Sedgwick	225 <sup>1</sup> / <sub>2</sub>	208 <sup>1</sup> / <sub>2</sub>	142 <sup>1</sup> / <sub>2</sub>	1,256n	March & McLan Co
Southern Electric	573	555	580 <sup>1</sup> / <sub>2</sub>	2,755n	Scottish-Hydro
TIG	160 <sup>1</sup> / <sub>2</sub>	167	148 <sup>1</sup> / <sub>2</sub>	300.22	Cooper Inc
Thorn	250 <sup>1</sup> / <sub>2</sub>	246	210 <sup>1</sup> / <sub>2</sub>	835.25	Nomura Int'l
UFF	112 <sup>1</sup> / <sub>2</sub> -\$	110	90	42.86	Harbridge
Wescoast Water	630 <sup>1</sup> / <sub>2</sub>	589	493	1341.9	Enron Corp
Wills (Common)	200 <sup>1</sup> / <sub>2</sub>	198 <sup>1</sup> / <sub>2</sub>	178 <sup>1</sup> / <sub>2</sub>	850.4	Trinity Asset

\*Based on lunchtime prices 4/9/98. \$\$Shares and cash. † Cash alternative. ✱ Partial cash alternative. Shareholders in James DeLoe who accept the offer can choose to receive cash in respect of up to a maximum of 51.8% of their holdings.

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<b>Nationwide International Limited (Overseas Instant)</b>	<b>4.8%</b>	<b>5.7%</b>	<b>6.3%<sup>1</sup></b>
<b>Lloyds TSB Offshore Banking (Overseas Savings)</b>	<b>3.50%</b>	<b>5.00%</b>	<b>5.35%</b>
<b>Barclays (Offshore Prime)</b>	<b>3.39%</b>	<b>4.94%</b>	<b>5.3%</b>
<b>Halifax International (Jersey) Ltd Deposit International</b>	<b>6.05%</b>	<b>6.85%</b>	<b>7.30%</b>

Source: Moneyfacts, rates correct as at 20th August 1998  
Based on interest credited annually. <sup>1</sup>rate applies from £20K

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## High retracts

## FT WEEKEND

It is widely known that when heavyweight boxer Mike Tyson was put behind bars he took up the study of Descartes, Plato and other giants of western philosophy.

It is less widely known that some students of Plato and Descartes would give anything for Mike Tyson's supremely pugilistic brain.

Since 1897, young gentlemen of the Cambridge University Boxing Club have been struggling to overcome a philosophical problem of essential concern, as it happens, to both Plato and Descartes. The body can be trained as hard as you like. But where does the soul fit amid the sit-ups? How do you configure that metaphysical winning edge - the passion of sheer belligerence?

All boxers share the language of toil. We do the running (road work), the hammering of stuffed horseshair (bag work), and that dance of death whereby the clever fighter never gets hit

(footwork). We skip and sweat in Capuchin-style tracksuits, we chin up ropes. We renounce sex.

But when we Cambridge chaps start sparring among ourselves, it is always the same story. A punch connects; Rupert puts Nigel on the deck. Rupert's immediate instinct: extend a helping hand. Rupert's immediate words: "I say. Are you all right?"

Hey. Like they say. You can take a man out of public school, but you can't take the public school out of a man. This year it has been different. This year we have had Hakkim.

Hakkim. Nocturnal occupation I call bouncer, he refers to as

security consultant. In the recent past, he has been a British light heavyweight champion. Now he has hung up his gloves for the cause of study and religion. His subject is electrical engineering, but he is also going for New Testament Greek in his spare time.

I maintain there is nothing in the Bible that prohibits boxing. "No, man. You're wrong there. I just know God don't like boxing, man. I'm gonna find the chapter and verse for you, man."

Anyway, Hakkim agrees there is no divine injunction against a little sparring now and then. So he comes down to help us out. He puts on gloves but no helmet

or mouthguard; in fact, he does not care to get out of his blue suit and town shoes. He bobs and crouches and raises his eyebrows and just when a punch seems to be planted on him he evaporates. Your arm meets ether; Hakkim pops up and connects with the smart smack of leather on flesh.

Down you go. "You're not listening, man. Told you that guard stays up, man, like you life depends on it. Cause it could be your life, man. Now I'm being gentle but that's not real, man."

So what is real? The local boys, for a start. So we go down to their gym one night. They're town and we're gown and the

history of exchanging bloody noses between the respective factions goes back to the early Middle Ages.

I step up to the ring. A gleam in the eye of the lanky lad standing in the opposite corner. Has he waited on me at some college banquet, or tugged a forelock when I stroled past his herbeaceous border yesterday?

The old problem arises. Body says whirl away and score points by damaging this lad's lanky corporeal substance. Mind harbours zero reason for wanting him hurt. So I spend the first round in continuous retreat, give or take the odd ineffectual jab and poke.

Hakkim leaps up at the bell. "Man. What is this? Where's your soul, man?"

"Floating, old chap. Quite out of it."

"Listen, man. You gotta go out there." Hakkim pauses and frowns thoughtfully. "Then hisses: 'You got daughters, right? Okay. There's one in your corner and that guy is going for her. Think it, man. Do something about it.'"

Whoosh. Adrenaline invasion. Ding-ding and it is dug-dug. This vile scullion, this wretched undergardener-turned-rapist, is in for one hell of a hiding. The enraged father whips arms in a sudden blind fury. Cartesian co-

ordinates go flying all round the ring.

Alas. What happened to clear, open-eyed fury - Mike Tyson's unnerving disposition? Last sound registered is Hakkim's voice crying "Yo!" before clang, then skid, then dump.

No reassuring plummy tones of solicitude, but a weaselly face leering down, eager to rain more blows. A hot, wet sensation spreading over me and the canvas: a generous nasal fountain has opened. As usual - among amateurs - such a scarlet cascade marks the end of a contest.

"I was proud of you, man," says Hakkim. "For 10 seconds there you had him on the back foot, man. The whole two minutes gotta be like that, man. Giving it soul."

I think. Therefore I exist. For 10 seconds, it seems, I conquered the problem of mind-body dualism. I only wish it had not cost me the bones in my nose.

## True Fiction

## Floor those finer feelings

There's a bit of Mike Tyson in Nigel Spivey, but he still ended up on the canvas



## Arcadia

## Mr Badger on the block

A TB time-bomb threatens cattle, say farmers. Kieran Cooke asks what is to blame

Mr Badger sat in the old chair, a dressing gown wrapped snugly round his bulging tummy. Dense clouds of smoke erupted from his pipe. Badger's kindly, wise brow was deeply furrowed.

"The trouble is no one seems to know what to do," he told Ratty and Mole. "We are dying of tuberculosis. Farmers are getting more and more angry as their cows catch the disease. We - poor, cuddly, lovely badgers - are accused of being responsible."

"The government potters about, ordering report after report. It really is the most frightful mess."

With apologies to *Wind in The Willows* by Kenneth Grahame.

Forget BSE. According to Britain's farming community, a far worse disaster is about to strike. Bovine tuberculosis (TB) is on the rampage again, threatening the country's 120,000 cattle herds and pushing an already beleaguered agricultural sector over the brink.

Farming bankruptcies are increasing and suicide rates among farmers are on the rise. One argument has it that the badger, that wise, paternal creature beloved of generations of children, is to blame.

Keith James farms 1,000 acres near Leominster in Herefordshire. Grain ripens under a soft sun. The wind blows gently in from the Welsh hills. Pheasants run helter-skelter down the driveway. Rabbits skip into the copse. There are acres of vines producing some of Britain's best white wine.

Behind this rural idyll a crisis is unfolding. In early 1995, TB was detected among James's 700 cattle. For more than two years his farm was, in effect, closed down. Eventually, his cows were given the all-clear.

James recently received another notice from the Ministry of Agriculture, Fisheries and Food (MafF) warning of a possible further outbreak on his farm.

"The consequences are devastating. I cannot move stock off the land, which results in overcrowding and stress for the animals. Compensation is inadequate: over the time we were shut down with TB, we lost between £120,000 and £150,000," he said.

"We all know the badger is to blame but we can't do anything. Many farmers are facing ruin. BSE is nothing compared with this. TB is a time-bomb ready to explode throughout the country."

At the end of the second world war bovine TB was endemic in the British cattle herd. A progressive slaughtering programme was undertaken and by the 1960s, the disease - extremely painful and ultimately deadly for animals, though described as being of negligible risk to humans - was confined to one small area in the south-west of England, near Dartmoor.

Badgers have long been known to have a high incidence of TB. The farming lobby says there is a direct correlation between renewed outbreaks of the disease - creeping out of the south-west of England into the West Midlands and beyond - and the growth in badger numbers.

The People's Trust for Endangered Species calculates that between 1988 and last year there was a 77 per cent increase in the badger population, with particularly strong growth in the West Midlands.

Britain's badger lobbyists, well-organised and armed with science and statistics, say that although bovine TB is a serious problem, there is no conclusive proof badgers are to blame for

the spread of the disease. The badger groups - there are more than 80 of them - say there is growing evidence of badgers being illegally slaughtered. Farmers who indulge in such activities should be sent to jail, they say.

A growing body of environmental legislation has been introduced to ensure the badger's survival. There are tough penalties on cruel practices such as badger baiting. The gassing or snaring of badgers is outlawed. Any interference with a badger sett, whether in a wood or the middle of a town garden, is against the law.

The more this nocturnal creature with the shuffling gait and stripey snout has been studied, the more it has captured the public imagination. Badgers are one of nature's great diggers: the tunnels in one sett totalled more than 300 metres, out of which 25 tonnes of earth had been burrowed.

Under old regulations, MafF officials could carry out a limited cull of badgers on an infected farm. When TB was discovered on James's Herefordshire farm, MafF experts moved in to trap badgers. James says 85 per cent of those caught had TB.

When the Labour party came to office a moratorium was imposed on badger culling in any newly infected TB areas, pending the outcome of the latest in a long series of official reports into the problem.

The National Farmers Union says the result has been a dramatic rise in the incidence of TB. It claims that in the south-west of England there was a 45 per cent rise in confirmed TB outbreaks in the first four months of this year. Growing numbers of farms in the West Midlands are facing restrictions on cattle movement.

"We can't just turn our backs on the TB issue and hope it will go away,"

says the NFU. "If it is allowed to continue unchecked, the nation's cattle population could well be under threat."

The badger lobbyists say the problem is being exaggerated. Though the disease has spread, only a small segment of the national cattle herd is infected. Despite all the reports and studies, there is still no clear scientific proof that badgers spread TB in cattle. Overstocking on farms and poor-quality grazing could be to blame.

"There is tunnel vision about the problem," says Elaine King, a conservation officer with the national federation of badger groups who did her PhD on badgers and bovine TB. "Killing badgers is not the solution. When culling was allowed it did nothing to stop the spread of TB."

The latest government-commissioned report recommends a five-year experiment, culling badgers within designated 10km-square areas. It is a proposal opposed by both sides of the argument. The badger groups say up to 10,000 badgers will be killed. Instead, anti-TB vaccines should be developed for both cattle and badgers.

James says the proposed experiment is a political fudge. He believes the government is once again appeasing a mainly urban lobby group which thinks it knows what's best for the countryside.

"During the five years of the experiment, bovine TB will keep on spreading. Increasing numbers of badgers as well as cattle are going to die. For farmers the outlook is very bleak. Bank managers are not keen to lend to infected farms and who wants to buy land with the stigma of TB over it? The whole thing is mad. Completely and utterly bonkers."

Perhaps, on that last point at least, wise old Mr Badger would agree.

## Metropolis

## A close shave with the local culture

The best way to see the country, says Christian Tyler, is from the barber's chair

The door to the Peruguari Vazquez was propped open to let in the breeze, for the temperature outside was beginning its daily ascent to the high 90s. Inside, four barbers' chairs contemplated a mirror of dazzling clarity which ran the length of the parlour wall.

"Buen día," the barbers chorused as a customer entered. "Buen día," said the customer. He was nodded into a vacant chair. To his left, barber No.1 was fussing over the pate of an old fellow whose hooded eyes and face of carved stone gave him the air of a man asleep, or dead.

There was a cheep from the corner, where a baby sparrow sat on a table under the window. Barber No. 3, who was waiting for a customer, was amusing himself trying to get the bird to hop on to his finger. Instead, it fluttered across the room and crash-landed in an open drawer of implements. The four barbers laughed, and No.1 made sucking noises in a pretended effort to entice it out.

"Aleman!" asked No.2, from behind the chair.

"No, inglés."

"Ah, inglés! My niece has a friend who is studying English."

"Really?" said the customer, attempting to convey amazement at the coincidence. The sparrow cheeped again from the drawer, and a small fish came drifting down the street from the covered market nearby.

Nothing conveys the atmosphere of a strange city better than a trip to the barbershop.

Safely tucked behind a white mantle with only his foreign skull protruding, the visitor is picking up valuable snippets of local culture even as the scissors fly around his scalp. Apparently occupied and apparently inert, he is all eyes and ears. Better still, he is safe from criticism. To a barber, it's all the same whether you speak the language badly, or not at all.

Barbers comprise a worldwide brotherhood whose etiquettes and rituals seem hardly to vary. From Huelva to Hubehot, they welcome the stranger and make him feel natural, normal, a fellow member of the human race.

Indeed, it was in downtown Hubehot, capital of Chinese Mongolia, that I became most aware of the precious refuge provided by the barbershop. In those days, aside from the occasional German or Japanese engineer, Hubehot saw few foreigners. The status of the citizens - baffled, curious and hostile - were very irksome and very tiring.

But once the foreign object had bowed its head and stepped inside the poky little barbershop, once the specimen had been captured for inspection, as it were, and found recognisably human, the small crowd which had gathered drifted away.

The barbershop of the Lena Hotel in Yabutsuk was another kind of refuge. Situated at the end of Lenin Prospekt, the Lena was (perhaps still is) the place where diamond prospectors, after months living rough in the Siberian tundra, would gather to drink "polar bears", a mixture of vodka and brandy, or "sprt", which is raw alcohol. The

hotel barber muttered sympathetically when his western customer, grey-faced and trembling despite the pint of yoghurt he had downed for breakfast, crawled into the chair for a shave.

A barber in Kuwait provided a useful briefing on employment patterns in the Gulf states. Baluchis mended the roads, he explained. Sri Lankans and Filipinas swept the floors and made the beds (when they weren't forced to sleep in them), Palestinians ran everything and the Arabs did... well, nothing.

Then there was the Demon Barber of Boroborn, the man with the fastest scissors in Turkey...

My reverie was interrupted. Barber No.1, a short, balding man with black hair and a histrionic manner, had released Stone Face from his chair and was stamping about the parlour. "Seven hundred thousand pesetas!" he was shouting. "For one ticket!"

He came and stood before me. "You understand?"

"No," I said.

"France! Seven hundred thousand pesetas! One ticket!"

"Football," explained No.2 from

A barber in Kuwait provided a useful briefing on employment patterns in the Gulf states

behind me. I twiggled. He was talking about the World Cup final.

"That's, er, £2,900," I said. "A lot of money." No.1 grinned delightedly and returned to his chair.

In this barbershop quartet, he was plainly the soloist. He provided the running recitative to a voice raw with overuse and in an accent more Arab than Spanish. His colleagues supplied the humming chorus, occasionally taking up the theme or interjecting with cries of "Hombre!". Gradually, No.1's expositations petered out and he fell to chipping the grey fluff from the head of his next customer, an old man with doleful eyes and an upside-down mouth like a Muppet.

Silence fell. No.1's outrage was now merely a tremor in the air. Two was intently shaving loose ends from my scalp with a cut-throat razor. Three was bent low over a very bald person. Picasso's double, tactfully tweaking the odd wisp. Four was resting.

At this moment, a mentally handicapped youth came by and plonked himself on the front step. Three told him to move, and was ignored. Three winked at Two, who winked at me. Picasso was released. Old Sad Eyes was released. I handed over 1,400 pesetas and was released also. "Buen día." The bird peeped and I squeezed past the youth into the sunshine.

Chris No.1267: 5 Oct 1997: 5 Nov 1998

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